MEXICO'S FINANCIAL INDUSTRY STRUCTURE: TRENDS, CHALLENGES AND OPPORTUNITIES

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ABSTRACT
This paper examines the Mexican financial industry by employing Porter's "Diamond of National Advantage" paradigm. Mexico rapidly opened up its financial system to the international market in the past two decades. The steady influx of foreign capital, through the promotion of diverse product offerings and services, has led to a greater consolidation of banking markets. However, foreign banks now control nearly 80 percent of Mexico's banking assets. Despite the growth of credit in absolute terms, the funds have generally been funneled to increasing number of wealthy clients and constitute a small percentage of GDP. This study offers preliminary observations on the competitive structure of the Mexico's financial industry and the main advantages/disadvantages to a number of key players in the market. A major objective is to contribute towards an evaluation of Porter's framework, and thus towards a better understanding of credit conditions and political economy of lending in a highly oligopolistic industry.

1. INTRODUCTION

This paper examines the Mexican financial industry. Mexico rapidly opened up its financial system to the global market in the past two decades. The steady influx of foreign investment through the promotion of diverse product services and offerings has led to a greater consolidation of banking markets. Foreign capital entry has led to improved liquidity and higher capitalization of the banking sector. Growing business and consumer confidence followed suit, therefore boosting demand for credit and financial services in general. Today, the financial industry represents one of the most open sectors of the Mexican economy, "accounting for about a quarter of all foreign investment. In 2006 more than 80 percent of banking sector assets were foreign-owned" (Library of Congress, 2008, p.16).

In addition to Banco de México, which operates as the central bank, Mexico's financial system consists of six types of banking institutions: "public development banks, public credit institutions, private commercial banks, private investment banks, savings and loans associations, and mortgage banks". Due to the major opening and reform of the financial system in the last two decades, related and supporting industries have grown, such as the "securities market institutions, development trust funds, insurance companies, credit unions, factoring companies, mutual funds, and bonded warehouses" (Library of Congress, 2008, p. 16).

However, foreign banks now control nearly 80 percent of Mexico's commercial banking assets. Despite the financial boom experienced recently, the funds have generally been funneled to increasing number of wealthy clients and domestic credit is a very small percentage of real GDP. This study aims to shed some light on the competitive structure of the Mexico's financial industry and the main advantages to a number of key players in the market. A major objective is to contribute towards an evaluation of the Mexican financial system, and thus towards a better understanding of credit conditions and politics of lending in developing countries. This should enable further research into the discussion of national advantage/disadvantage in a highly oligopolistic industry. In order to assess this issue, we employ Michael Porter's "Five Forces of Analysis" paradigm, also known as "Porter's Diamond of National Advantage".

2. THEORETICAL MODEL

In order to examine significant trends in the Mexican financial system, we followed Porter's "Five Forces of Analysis" paradigm of industrial organization. In the standard literature on international trade, especially comparative advantage of nations, this theory is also known as "Porter's Diamond of National Advantage". While "Five forces of analysis is an extension of the "Diamond" paradigm, it is more applicable to the strategic management of firms rather than to countries. However, this paper focuses on the "Diamond of National Advantage" in order to assess the advantage that nations accrue from owning particular industries-- in this case some of the advantages/disadvantages pertaining to Mexico's financial system. While Porter's theory is geared to "case studies" of industries in selected developed economies, it can be constructively applied to Mexico that retains some of the characteristics of the model (Porter, 1990).

Porter used a diamond shaped diagram that shows the main determinants of national competitive advantage: 1) demand conditions (strong, trend-setting local markets), 2) factor endowments or supply conditions (capital resources, human/labor resources, physical resources and infrastructure), 3) related and supporting industries (suppliers of creative inputs; raw materials; apparel manufacturing and wholesaling), 4) firm strategy, market structures and competitive rivalry, and 5) government (as an "exogenous" variable that influences the demand conditions in the domestic market, rivalry between firms and supply conditions). This role changes from setting monetary policy and interest rates to acting as a "lender of last resort" during financial crises. The role of the government in this model is basically to encourage banks to raise performance, for example by enforcing anti-trust regulations, setting the institutional framework for competition and stimulating demand for credit in the economy.

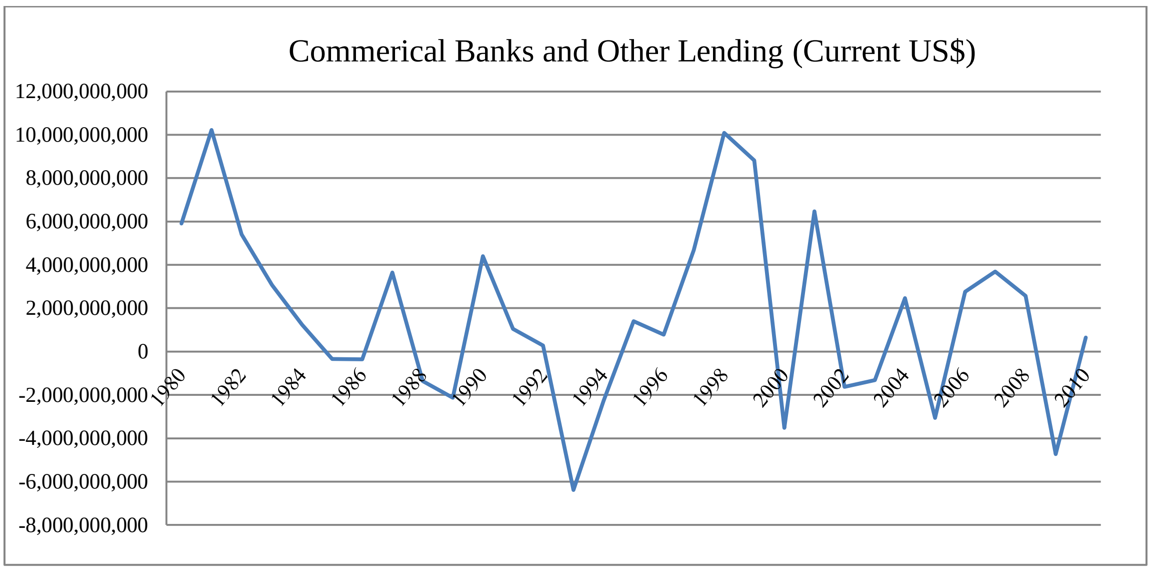
3. DEMAND CONDITIONS IN THE MEXICAN FINANCIAL INDUSTRY

A more demanding, trend-setting home market is a precondition to gaining and sustaining competitive advantage in global markets. If the local market is sufficiently large and robust, it can pressure firms to innovate and offer better and more advanced services at more affordable prices than those of their competitors. The demand component appears as "Power of Buyers" in Porter's analysis of competitive forces that shape strategy (Porter, 2008, p.83). In addition, a more demanding home market can affect supply conditions by leading "to the establishment of production facilities to meet that demand" (Daniels et al, 2011, p.63).

In Mexico, however, the aggregate demand for banking services retains the characteristics of a late developing economy. Demand is largely affected by changes in supply conditions (ie., financial crises; market consolidation and competition), which then affects the availability of credit to larger sectors of the population. One of the main indicators of demand is "accessibility of financial services" as dictated by suppliers of credit at affordable prices. Measuring demand is difficult. But given the major changes of the Mexican banking during the last two decades, the "ease by which credit is obtained" gives a good sense of consumers' bargaining power and overall demand conditions. Some of the main indicators include domestic credit provided by the banking sector (% of GDP), bank credit to the private sector (% of GDP) and financing to the public and private sector (BBVA, 2011, p.11). Corporate financing through the stock market contributes to the deepening of financial markets, further reflecting the development of capital sources other than bank credit (as "complementary" markets). Using BBVA's study on *Mexico's Banking Outlook*, variables like "elasticity of per capita GDP to bank credit and net interest margin" reveals the contribution of demand factors to financial sector performance in developing countries (BBVA, 2011, p. 28).

Gonzales-Anaya (2003) argues that there has been a "general reduction" in bank lending to the non-financial sector in Mexico since the peso-crisis. His analysis indicates that financial system development is constrained by decline in some of the financial market indicators, such as "the stock of assets of commercial and development banks, the stocks of public and private bonds outstanding, and the stock market capitalization". He maintains that the Mexican financial system grew from 40% in 1985 to 100% in 1994 but began to decline to 70% of GDP in 1999. However, opposite to the pace at which private sector was expanding, the number of public development banks fell from close to 38% in 1986 to less than 10% of GDP in 1999. As "domestic public bond capitalization" remained steady during the period, the corporate bond market flourished, reflecting the "complementarity" between stock markets (equity markets) and banking markets (commercial bank assets). This supports findings in emerging markets literature such as Levine (2000). Both forms of financing increased from 1985 to 1994 yet dropped after 1995 and until 1999 (Gonzales-Anaya, 2003, p.5).

Some researchers argued that financial liberalization and a wave of foreign bank penetration strengthened the Mexican banking sector that nearly collapsed after the devaluation of the peso in 1994 (Degas et al 2000; Crystal et al, 2002). After almost two decades of inflation and poor performance, consumer and business confidence has been growing, leading to increased demand for financial services. A boom in consumer and mortgage lending has been under way, a general trend that is consistent with large capital inflows and export-led boom in light of the depressed nature of the US economy 2008-Present. Large foreign investment has boosted liquidity and capitalization in the financial sector. For example, Dages et al (2000) observed that foreign bank lending patterns from 1994 through the mid-1999 displayed "stronger and less volatile loan growth" than domestic banks in Argentina and Mexico. While in Mexico, bank loan portfolios displayed signs of major reduction and quality deterioration in the post-Tequila crisis period, "foreign banks have emerged as an important engine for funding local investment and growth opportunities without raising lending volatility vis-a-vis their healthy local counterparts (Dages et al 2000, p.18).



Source: *World Bank Development Indicators and Global Finance*

Yet arguments supporting a policy of financial liberalization and openness to foreign sector participation and its potential benefits to demand for credit in Latin America are far from unanimously accepted. As Moguillansky et al (2004) argued, improved financial regulation and openness since the mid-1990s has paradoxically weakened the asset quality of bank portfolios and lessened the resiliency of the banking system. The efforts to attract foreign investment coincided with the reforms to recapitalize and re-privatize the banks, hence improving banking sector performance and presenting an "insurance" against systemic risk. While this "experience has been a positive outcome for the region in terms of microeconomic efficiency", it has not been favorable in terms of "macroeconomic impact", that is the availability to credit to larger consumers and lower costs of financing for Mexican firms.

Mexico's "paradox" is that improved liquidity and capital strength of the banking sector has not necessarily led to improvements in existing supply, cost and thus demand conditions of financing. Instead, unstable investment environment, shortcoming in credit assessment skills, and weakness in legal and regulatory frameworks are making banks less reluctant to lend to the private sector. Despite the recent macroeconomic stability and growth and even having a larger financial sector than Argentina's (Gonzales-Anaya, 2003, p.5), Mexico's capital markets and asset management sector are still underdeveloped.

Although the legal framework over the past few years allowed Mexican banks to better manage asset risk and maintain a lower level of non-performing loans, higher capitalization, and higher preventive reserves, demand conditions have not improved at the same rate as microeconomic efficiency. In 2011, about 40% of Mexicans had commercial bank accounts, while the percentage of Mexicans having access to the financial systems increased from 25% in 2004 to 60%. However, access to credit is especially low in rural areas. Similarly, "about 64% of Mexico's 2,456 municipalities do not have a branch bank. While large firms continue to have access to credit, SMEs report access to credit as a key barrier to growth" (US Embassy, 2011).

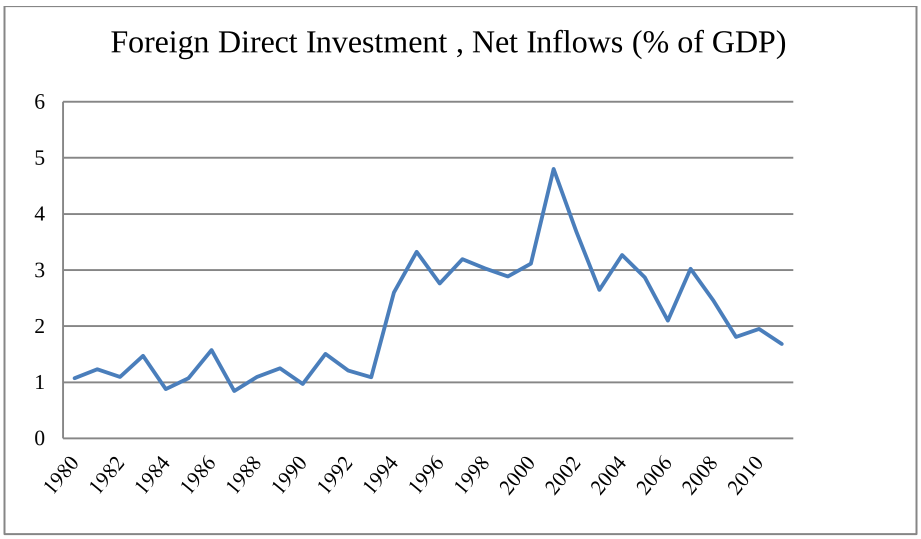
4. FACTOR ENDOWMENTS

In Porter's model, factor conditions include human resources, capital resources, physical resources, knowledge resources, and infrastructure. In banking industry in particular, "money lenders" represent key capital sources and determine the availability (supply) and cost of credit. Suppliers of money can be divided into various components: 1) bank or non-bank financial institutions (domestic or foreign) who extend credit to clients, large corporations and government agencies, 2) depositors (clients who deposits their money at an interest rate set by the bank, 3) larger credit market as a source of alternative loanable funds, including equity markets, stock markets, etc. 4) central bank as supplier of liquidity to the banking system, especially during times of financial crisis. This makes its role "lender of last resort" for the banking system or for individual banks, when those banks are illiquid or fail to provide credit to customers. While depositors (clients) can be seen as the demand side of the banking system (since "savings" are channeled to depository institutions as generators of demand), they supply banks with money to be lent as credit, and therefore can be classified under both demand and supply.

As specialized resources are often industry specific, they are crucial for gaining a competitive advantage in global markets. More specifically, in banking industry, factor endowments reflect conditions facing suppliers of credit, including financial strength and performance of banks. The present section attempts to evaluate aggregate supply of credit and financing conditions in the Mexican financial industry. It is argued that Mexico has certain "disadvantages" that stem from the nature of factor endowments that make it difficult to apply Porter's model uncritically. In this particular component, Porter's model is weak in accounting for national disadvantages (a paradox) that accrues from having excessive financial openness, a problem that is also exacerbated by having oligopolistic market structures.

Factor endowments also include capital sources generated either domestically or bought from abroad. Ideally, increased financial openness should promote a more diversified supply of loanable funds and more abundant credit to firms and consumers. In the Mexican financial system, capital sources are largely foreign owned and a substantial portion of financing for domestic firms come from foreign loans. With the important exception of Colombia and Brazil, foreign banks dramatically increased their "ownership shares" of Latin American banking systems and now account for a nearly 50 percent or more of commercial bank assets in a number of countries.

Those emphasizing factor endowments argue in favor of the potential benefits of foreign ownership of banks in emerging markets, including improvements in overall bank soundness and financial stability. This is especially true if foreign banks come from well-regulated banking systems and belong to parent banks that are in healthy conditions. Such "parent banks are expected to provide greater access to the capital and liquidity that bolster balance sheet strength and to transfer to local banks the skills and technology that enhance risk management and internal controls". Put simply, foreign bank presence is always associated with "higher standards of auditing, accounting, disclosure, credit risk underwriting and supervision" (Crystal et al, 2002, pp.1).



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Foreign banks also differ from domestics in balance sheet structure, loan growth, asset quality (e.g., level of non-performing loans), higher provisioning for bad loans, and higher risk-based capital ratios (e.g., investments in relatively liquid and lower risk assets). Micro-economic analysis indicates that while there is no major difference between financial performance of foreign and domestic banks in three Latin American countries (Argentina, Chile and Colombia), foreign banks act more cautiously in managing and assessing risk and put aside significantly higher provisions against loan losses than domestic banks (Crystal et al, 2002).

Extensive recapitalization needs of banks largely drove foreign bank presence in Mexico. Moreover, the restructuring of the banking system and financial liberalization reforms led to an aggressive entry of foreign banks. This was especially true when the banking system nearly collapsed in the aftermath of the peso crisis. Compounded by regulation and supervision shortcomings, foreign banks exploited a situation in which there was a need to recapitalize banks.

While this contributed to banking system stability and microeconomic efficiency, it was not a sufficient condition for economic development. Banks' contribution to economic development can be assed in terms of credit to wider sectors of the population, as measured by domestic credit as a percentage of GDP. Credit became scarce, especially in the wake of the Asian and Russian crises, followed by domestic responses that almost always resulted in tight monetary policy and higher interest rates on loans. Credit tightening was both a response to financial crisis as well as changes in lending behavior when banks began writing off sizable amount of impaired loans after mergers and acquisitions. Between 1994 and 2001, Mexico's bank credit dropped almost from 35% of GDP to 10% of GDP (Moguillansky et al, 2004:29).

One justification for allowing foreign bank entry is the need for cheaper funds. Under this assumption, it is expected that foreign banks expand credit faster than domestic banks and lower the costs of financing for domestic firms. This assumption would hold true if increased financial openness would contribute to promotion of more competitive market structures in developing countries. As previous research indicates, financial openness did not necessarily alter the oligopolistic behavior of domestic banks acquired by their foreign banks in Mexico. Those banks adopted risk averse behavior of their local counterparts, such as living on high-yields, risk free assets such as public bonds. This means that Mexican banks' "rent seeking relationship" with the state has not really changed. Bank profitability increased rapidly following acquisitions but bank lending to firms or families did not increase at the same rate. Instead banks increased service charges that bolstered profitability. This persistence in lending behavior partly explains why the change of ownership did not necessarily bring about greater competition or abundant credit at more affordable prices in Mexico. And "banks have accommodated their strategy of portfolio allocation and risk evaluation practices that discourage lending. The recession of recent years, compounded by doubts that bankruptcy legislation would be effectively enforced, have been powerful motives for banks not to alter their behavior" (Moguillansky et al, 2004:29).

5. RELATED AND SUPPORTING INDUSTRIES

Related and supporting industries include the competitive sources of credit and industries associated with main suppliers. Under competitive market conditions, related industries contribute to "both the cost effectiveness and strategic competitiveness of firms" (Daniels et al, 2011, p.63). In the financial industry, alternative sources of funds (such as funds raised in the stock market) and development of new financial products (ie., mortgage securitization; derivatives, futures, etc.) can be seen as an example of related and supporting industry.

Based on Levine's work (2000) Gonzalez-Anaya (2003) argues that bank credit advances are "complements" to other types of lending. If substitute markets consist of alternative sources of financing, then it is plausible to think that stock markets reduce the volume of business for banks (Demirguc-Kunt and Maksimovic, 1996). However, this distinction is not very clear-cut in developing countries. In order words, the distinction between bank based vs. market based financial systems does not indicate any form of substitution towards stock markets in Mexico. Rather, bank credit complements bonds and stocks. This relationship arises from the intimate connection between banks and financial markets. In order to issue bonds, banks need to have access to the credit market. Likewise, firms must often attain some "reputation" in the bond market in order to issue stocks (Gonzalez-Anaya, 2003, p.4)

In Latin America (and developing countries in general), scholarly literature is divided over whether related and supporting industries are "substitutes" or "complements". As shown in Demirguc and Maksimovic (1996) "in stock markets that are already developed, further development leads to a substitution of equity for debt financing. By contrast, in developing stock markets, large firms become more levered as the stock market develops, whereas small firms do not appear to be significantly affected by stock market development." Over the last five years, an economic boom boosted by a rapid expansion in credit has led to the development of stock markets in Latin America. While still relatively small compared to other emerging markets (like Brazil and Chile), Mexico's financial sector has grown apace, becoming more dynamic and allowing investors to expand and diversify. This has led to some improvements in stock market performance via a higher debt-equity ratio for corporations, thus increased business volume for banks. Since the early 2000s, Mexico's small equity market has expanded to include trade in stock option, stock futures and index option. By 2004, MexDer, the country's organized exchange for derivatives contracts, became the world's fifth most active futures exchange worldwide (Skelton, 2006, p.6).

For example, post-2000 stability has allowed Mexico's financial system to introduce securitized home mortgage lending. Between 2004 and 2006, Mexico ranked second to South Korea among emerging-market mortgage-backed security issuers. The mortgage- securities market had a deal value of $ 1,732.1 million and 27 number of deals. Securitization allowed greater access to capital and a lower cost of funds. The major side effect was increased demand for mortgage loans and housing. Another noteworthy development was improved legal framework for mortgage lending, such as the formation of El Buro de Credito and bankruptcy reform (that enabled the use of houses as collateral). As Mexico's most prominent credit bureau since 2002, El Buro de Credito is responsible for collecting more and better information about lenders' use of credit and borrowers' creditworthiness. Since then, underwriting and originating home mortgages have became less costly (Skelton, 2006; Lopez and Phillips, 2007).

While it is unclear whether financial sector boom leads to greater wealth creation or homeownership in Mexico, it at least signals the diversification of financial markets and emergence of complementary capital sources.

6. FIRM STRATEGY, INDUSTRY STRUCTURE AND RIVALRY

In Porter's framework, this component involves market/industry structures, firm strategy and rivalry that affect competitive advantage in local and global markets. Industry structures include 1) the level of market concentration (which gives room for exercising market power by the incumbent firm), key market players (number and bank ownership characteristics), firm organization (vertically versus horizontally integrated companies), barriers to entry (or entry conditions) such as capital requirements and lack or presence of strong property rights, 2) Industry conduct including pricing strategies, legal restrictions on competition and/or concentration, and regulatory/competition policy. Such conditions shape rivalry among firms; lower rivalry, with higher existing barriers, makes an industry attractive. While in the beginning less rivalry is good for firms to gain and maintain competitive advantage, in the long run more domestic rivalry forces firms to innovate and thus improve performance.

Mexican financial industry represents the most open and liberalized services sector in Latin America, yet it is dominated by foreign institutions and is highly concentrated. More than 80 percent of banking sector assets is foreign-owned. While the financial system includes six types of banking institutions ("public development banks, public credit institutions, private commercial banks, private investment banks, savings and loans associations, and mortgage banks"), other players include "securities market institutions, development trust funds, insurance companies, credit unions, factoring companies, mutual funds, and bonded warehouses" (Library of Congress, 2008, p. 16).

Foreign capital dominates the Mexican banking and financial sector. Market oriented reforms led to the strong presence of foreign banks, as mergers and acquisitions increased in the aftermath of the peso crisis. By the end of 2011, four of five largest banks ranked by total assets were foreign owned (EIU, 2012, p. 6). This has led to more resilient and well-capitalized banks but also highly concentrated industry. As one IMF Report (2012) quite clearly notes, “Mexico’s financial system is small and relatively concentrated, with the three largest banks accounting for 55 percent of bank assets. As of June 2011, 42 commercial banks had more than half the assets of the financial system. The second largest group of financial intermediaries (in terms of assets) is the 14 pension fund managers (AFORES), which manage 86 pension funds (SIEFORES). The 43 mutual fund management companies manage 549 funds. The government has nine development banks and public sector funds, in addition to two large public mortgage entitiesó—the Institute of the National Housing Fund for the Workers (INFONAVIT) and the Housing Fund of the Social Security Institute of Public Sector Workers (FOVISSTE). The rest of the system is dispersed and small” (IMF, 2012, p.14).

In addition, seven large banks dominate banking, accounting for 82 percent of total banks assets. Five are subsidiaries of major multinationals. The remaining includes a mixed group specializing in consumer and corporate lending as well as “niche banking”. There is increasing competition between larger banks and other markets (such as credit and mortgage markets) that attract credit seeking, “blue chip” companies. Since the seven largest financial institutions own commercial banks and multiple non-bank financial intermediaries, they control nearly 73 percent of all financial assets. These close ties lead to monopolization by generating conflicts of interest in the absence of prudential regulations. Among these seven largest institutions (Banamex, Bancomer, Santander, HSBC, Scotia, Banorte, Ixe 2, Inbursa), Banorte Inbursa and Ixe are local banks with market share of 10.2% 4.6% and 1.5% each. The top five are foreign banks owned by Citigroup (Banamex), Spain (Bancomer), Spain (Santander), UK (HSBC), Scotia (Canada) (IMF, 2012, p.15). Ixe and Banorte merged in 2011, therefore increasing their market share in direct competition to foreign banks. Mercantil del Norte (Banorte) is the largest local bank in Mexico and third largest bank in the country ranked by overall assets, profits and market share (EIU, 2012, p.13).

7. GOVERNMENT: THE LEGISLATIVE AND REGULATORY FRAMEWORK

Banco de Mexico, Central Bank of Mexico, regulates the banking sector as an independent agency working closely with Ministry of Finance and other regulators. A five-member board consisting of a “chairperson” and four “subdirectors” governs the central bank; Appointed by the president, chairperson serves six and subdirectors serve eight year terms (Library of Congress, 2008, p.16).

After the peso crisis in 1995 Mexico improved financial regulation under the guidance of Banco de Mexico (Banxicoóthe central bank), the Ministry of Finance and Public Credit (SecretarÌa de Hacienda y Credito Publico), and the National Banking and Securities Commission (Comision Nacional Bancaria y de Valoresó). One important step was the creation of a revised regulatory framework that involved the establishment of a limited deposit insurance fund. The central bank introduced capital adequacy requirements and provisioning against losses and accounting rules that were harmonized with US practices. This included better risk management methods aimed at higher reserves and more prudent lending practices.

In the middle of the global financial crisis, the central bank adopted a number of policies aimed at boosting credit, stimulating the economy, and offsetting pressures on the peso. It reduced the interbank rate from 8.25% in January 2009 to 4.5 in July 2012, a 375 basis points cut. To monitor lending practices, new regulations took effect in 2011 that prohibited banks from charging fees “for services such as the opening and closing of on-demand savings accounts and the cancelling of credit cards” (EIU, 2012, p.6).

While the banking sector is now better regulated, liberalization is growing apace in other segments of financial industry, especially with respect to investment regulations. For example, the government has been increasingly easing barriers to pension fund investments since 2007. In February 2010, a new law allowed pension funds to invest in private equity. In March 2011 the "National Commission for the Retirement Savings System the pension fund regulator", allowed investments in certain foreign currencies (US dollars, euros and Japanese yen only) and later on announced "greater flexibility" for investments in "individual foreign securities" and "international private equity funds". Starting in 2012, pension funds can invest up to 10% of assets in commodities and "hire external fund managers". Additional easing of investment regulations is expected in this current juncture (EIU, 2012, p.6).

The stock market is also subject to greater foreign capital involvement and strategic alliances among big entities. Some of the most important indicators include the formation of a partnership between the Mexican stock market (Bolsa Valores Mexicanaó-BMV) and with CME Group ("the US-based entity created from the merger of the Chicago Mercantile Exchange and the Chicago Board Options Exchange in July 2007") in 2011. The Mexican Derivatives Exchange (Mercado Mexicano de Derivadosó; MexDer), which operates as the BMV's subsidiary, is responsible for trading BMV's derivative products. According to the first part of the arrangement launched in April 2011, Mexican investors will have direct access to CME Group products through MexDer. In the second phase, international investors were allowed direct access to MexDer derivatives through CME Group (EIU, 2012, p.6).

8. CONCLUSIONS AND FURTHER PROPOSITIONS

This paper examined the Mexican financial industry by employing Porter's "Diamond of National Advantage" paradigm. Mexico rapidly opened up its financial system to the global market in the past two decades. The steady influx of foreign capital, through the promotion of financial liberalization and deregulation, has led to a greater consolidation of financial markets. Despite the growth of credit in absolute terms, however, the funds have generally been funneled to increasing number of wealthy clients and constitute a small percentage of GDP. In addition, foreign banks now control nearly 80 percent of Mexico's banking assets and increased their presence in the financial system through mergers and acquisitions.

As a preliminary research, this study aimed to illuminate the competitive structure of the Mexican financial industry and the main advantages/disadvantages for key players in the sector. It highlighted some of the limitations of Porter's framework by illustrating the circumstances facing credit demand and supply in Mexico. Currently, domestic banks are trying to increase their market share by merging as seen in the case of the 2011 Ixe and Banorte merger. Yet this is insufficient to generate demand among large segments of Mexicans who lack access to the banking system. We argued that Porter's framework, while capable of identifying competitive advantage of firms at the micro-level, fails to grasp credit conditions in an economy with a high levels of wealth inequality. Since credit is essential for economic growth, more research is needed into the political economy of lending and access to credit in a highly oligopolistic industry.

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