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El sistema financiero en Ecuador. Herramientas innovadoras y nuevos modelos de negocio

The financial system in Ecuador. Innovative tools and new business models

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ABSTRACT

The financial system represents one of the fundamental pillars of the country's economy, which is why it was sought to deepen the behavior of the most important banking entities in the city of Cuenca with the aim of designing financial, technological and accounting strategies as a mechanism for generation of value and financial returns. This investigation was developed using a non-experimental descriptive transactional design. The findings express that there is concern among financial institutions about the optimal performance and efficiency in their administrative efforts. In a conclusive way, the innovative strategies and the inclusion of business models not only allow meeting the demands of the current financial market, but also adjusting to the flexibilities of the economic dynamics that attends to the reality in which the financial system develops,

Eliana Michelle Ordóñez-Granda; Cecilia Ivonne Narváez-Zurita; Juan Carlos Erazo-Álvarez

permitting, in this way, to face changes and emergent crises such as the coronavirus pandemic (COVID-19).

Descriptors: Financial institutions; financial policy; monetary policy; financing. (Words taken from the UNESCO Thesaurus).

INTRODUCTION

The financial system plays a fundamental role in the optimal functioning of the economy. Each financial task should be carried out through the correct participation of the different entities that contribute to raising the economic growth and well-being of the population. Regarding this idea, it is pertinent to mention that in the mid-nineties, Ecuador experienced an unprecedented financial crisis in which interest rates rose and, consequently, reference rates also increased. When the rate of interest began to rise, this caused people to start withdrawing money from banks, reducing their liquidity, so some financial entities requested loans from the central bank, while others had to be liquidated.

These events led to a crisis that caused the currency exchange, giving way to the adoption of the United States dollar. Given these precedents, the author (Llistar, 2002), refers that the economic measures expressed in the Washington Consensus (CW) are insufficient, for which he adds three new aspects to this manifesto: greater transparency in public institutions, as well as in companies and banks; greater State supervision of the financial sector (investment funds and tax havens) and lastly, strategies for the financial sector that allow progressive and more careful autonomy.

METHOD

This research was developed from a descriptive perspective, seeking to expand and deepen the problem regarding financial systems. A non-experimental transactional design was used (Hernández, Fernández, & Baptista, 2014). For data collection, research techniques and instruments were used, such as the interview and survey, through questionnaires that served as a guide for the collection of relevant information.

Eliana Michelle Ordóñez-Granda; Cecilia Ivonne Narváez-Zurita; Juan Carlos Erazo-Álvarez

The universe of study was made up of 6 financial institutions located in the city of Cuenca (Zhañay-Soliz, Erazo-Álvarez & Narváez -Zurita, 2019).

RESULTS

Analysis of efficiency and performance of administrative management: financial institutions expressed their concern for optimal performance in their administrative efforts. An efficient management, planning and organization were reflected in the achievement of institutional objectives, and in specifying opportunities for improvement at the level of innovation and competitive advantages. The results of the survey showed that 83.33% of banking entities carried out a monthly analysis of their performance and 16.67% did so on a quarterly basis.

Strategies to promote savings: 100% of the financial institutions agreed that they apply strategies aimed at promoting and encouraging savings as a key in the economic development of the family and countries.

Management of economic resources: Regarding the responsibility for the economic and financial resources of the bank, more than half of the respondents (66.6%) stated that it is not the exclusive responsibility of the manager, while the rest (33.3%) affirmed that it corresponds to the manager.

Management supervision: 100% of the surveyed entities affirmed that the Law on the supervision of financial resources management processes facilitates the evaluation of the adequate management and administration of resources.

Relationship between the amounts raised and the placement of funds by clients: More than half of the respondents (66.6%) considered that this direct relationship is at an average level, while 33.3% considered that the relationship is high.

Solvency and liquidity analysis: 83.33% of the surveyed financial institutions indicated that they always carry out solvency and liquidity analyzes to measure the institution's ability and only the remaining 16.67% do it occasionally.

Preference in granting credits: 50% of those surveyed referred that credits are granted equally, both to the commercial and production sectors; 33.33% agreed that

Eliana Michelle Ordóñez-Granda; Cecilia Ivonne Narváez-Zurita; Juan Carlos Erazo-Álvarez

there is no preference for a particular sector but, on the contrary, attention is given to all sectors, only 16.67% affirmed that there is a preference for the productive sector.

Strategic and financial planning: 100% of the surveyed entities agreed that they always carry out strategic planning as a basis for meeting institutional objectives, to gain market possession and competitive advantages.

Inclusion of virtual banking: 83.33% of banking entities agreed that technological progress and the creation of a mobile application favored the use of virtual banking, only 16.67% considered that the growth has been medium.

Financial administration policies: 83.33% of the surveyed banking entities affirmed that financial administration policies are clear and are defined according to the guidelines required by each institution and involve all collaborators, while 16.67 % considered them to be specific.

Performance evaluation of financial officers: 100% of those surveyed affirmed that the institution evaluates the performance of financial officers, with the aim of assessing them and discovering possible productivity problems.

Banking impact on economic development: 66.66% of those surveyed considered that the banking impact on the country's economic development is high, while 33.33% say it is medium.

Portfolio recovery: 83.33% of the people surveyed affirmed that the loans granted by the institution are canceled in a period of 1 to 3 years; while 16.67% expressed that the period is greater than 3 years. A period longer leads to less credit cancellation; however, it can lead to a loss for a longer time.

Increase in assets: 83.3% of banking entities had a considerable increase in assets, while the rest (16.67%) affirmed that their increase was low.

User's preference for contact: regarding the user's preference for communication with the bank, 66.6% considered that the communication channel is in a personal way, while 33.3% said that they maintain communication with the client virtually. The digital experience has created comfort and convenience; on the one hand, this is a way of providing essential information in real time to customers in a personalized way.

Eliana Michelle Ordóñez-Granda; Cecilia Ivonne Narváez-Zurita; Juan Carlos Erazo-Álvarez

However, at the same time, there is resistance from consumers to the idea of automating their financial transactions, and they prefer humane treatment to perform certain operations.

Requirements for the application and approval of a loan: 100% of the respondents affirmed that the institution has made the requirements flexible for the application and approval of loans, with the aim of achieving an efficient credit process and avoiding the delays and that cause dissatisfied customers.

PROPOSAL

Based on the results obtained, it is proposed to design financial, technological and accounting strategies for the Ecuadorian financial system, with the purpose of generating value and financial returns.

Financial, technological and accounting strategies

As a **first strategy**, a cross-SWOT analysis is carried out, in order to identify the strengths and opportunities, which allow financial entities to face weaknesses and threats, solving deficiencies and focusing on factors that represent a greater impact for the entity.

Strategy: Strength- Opportunity	Strategy: Weakness- Opportunity
1. Strengthen local coverage in order to satisfy the demand for microfinance loans. 2. Use a variety of products and services to increase the loan portfolio. 3. Adapt the ease of granting loans to attract greater investment from small and medium-sized companies. 4. Take advantage of the use of modern computer systems to increase online operability. 5. Optimize the automated portfolio to improve financing costs.	1. Take advantage of technological advances and cybersecurity tools to mitigate slow customer service systems. 2. Regulate the high cost of fundraising, taking into account the brand's positioning in the unbanked sector. 3. Strengthen strategic and institutional strengthening plans to increase access to credit through credit cards. 4. Develop financial education programs to reach the various economic and social sectors.
Strategy: Strength- Threats	Strategy: Weakness- Threats
1. Make significant alliances that ensure the growth of banking through the government.	1. Carry out market studies for high-risk investments with the purpose of facing possible

Eliana Michelle Ordóñez-Granda; Cecilia Ivonne Narváez-Zurita; Juan Carlos Erazo-Álvarez

2. Take advantage of the Know-How in micro credit technology to avoid the loss of clients due to the high growth of savings and credit cooperatives. 3. Prepare a continuous support plan before and after acquiring the service or product to avoid the loss of customers. 4 Update cloud computing and blockchain to mitigate possible hacker problems. 5. Take advantage of the block chain or cloud computing to mitigate the loss of information. 6. Use financial indicators in credit technology flowcharts, which allow measuring the credit risk of clients.	economic crises. 2. Promote the business value chain that permits to serve a greater local coverage and avoid the loss of customers. 3. Prepare a strategic plan, which allows strengthening and optimizing internal processes to obtain competitive advantages. 4. Develop financial education programs that cover rural sectors and include older adults by virtue of avoiding the loss of clients. 5. Analyze the costing methods that allow the institution to obtain operating costs according to the service, and thus obtain a competitive advantage within the financial market.
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Table 1. Cross SWOT analysis

As a **second strategy**, an analysis of the value chain should be taken into account, which constitutes a tool that evaluates all the important activities that a company develops for knowing the cost procedure. When developing a value chain model, the nature of the banking business should be considered, differentiating primary and support activities. For the primary activity to be executed efficiently and effectively, it requires support activities such as general administration and infrastructure, which serve as the foundation for the entire chain, in addition to the hiring of personnel associated directly or indirectly to each category of the primary activity; the acquisition of computer programs, equipment, as well as their maintenance so that transactions develop quickly and safely, avoiding the risk of information hacking. It is important to highlight that adequate internal control is necessary to safeguard all the resources for promoting the efficiency of the processes.

The **third strategy** consists in designing a balanced scorecard, which allows measuring the evolution of business activity starting from the formulation of strategic objectives based on financial and non-financial indicators. These, in turn, allow collecting periodic information that contributes to decision-making and the fulfillment of goals. The signaling of the balanced scorecard makes it easier for senior managers to follow the strategic

Eliana Michelle Ordóñez-Granda; Cecilia Ivonne Narváez-Zurita; Juan Carlos Erazo-Álvarez

plan, conducting them to identify the values that did not comply with what was expected (red color) or the values that have reached the goal (green color).

DISCUSSION

The financial system plays a fundamental role in the development of the world economy; hence, it is important to monitor each of the elements that compose it, as well as the factors that affect the dynamics of the sector and its growth. This research was oriented to the recognition of the financial system in Ecuador considering the historical evolution that it has had in the country and the multiple functions that it fulfills in the local economic and productive development.

The characteristic of the financial system requires the use of innovative tools that have been developed alongside the service and business models. They have contributed to the financing of banks because they have significantly reduced infrastructure costs to generate greater value through the improvement of services, accessibility and flexibility; that allows them to achieve greater banking inclusion in non-covered sectors and increase its competitive advantage (Banco Central del Ecuador, 2012).

Among the findings of this study, the recognition of the placement of credits, investments and the credit portfolio as a business line of Ecuadorian banking stands out, which complies with the guidelines of the Superintendency of Banks and Insurance (Superintendency of Banks and Insurance, 2017); in addition, 100% of the institutions consulted indicated the importance of performance evaluation and strategic planning to meet their objectives.

In this sense, 86% of these institutions have made an incursion into virtual banking, which shows that there is a willingness to use these resources to add value to their chains, improve service and optimize processes through business models that involve this type of innovation.

Consequently, the proposal made in this research addresses both the characteristics of the Ecuadorian financial system and the current reality in which it develops, where a

Eliana Michelle Ordóñez-Granda; Cecilia Ivonne Narváez-Zurita; Juan Carlos Erazo-Álvarez

large number of changes and transformations have been generated in different productive sectors.

By virtue of this, the proposal is aimed at establishing new business models for the financial sector and the use of innovative tools to promote financial inclusion considering strategies that involve virtuality as a platform for the development of economic and social relations such as fintech that allows banking developing economies through the use of connectivity as a platform for innovation in financial services (Development Bank of Latin America, 2016).

Likewise, models such as originate-to-distribute are other of the business models that seek to minimize risks through credit transfers in order to face the challenges and achieve the established goals. It is relevant to point out that although there are crises and emergencies such as those derived from COVID-19, it is necessary to attend to the needs of the sector by applying flexible and effective strategies aimed at complying with the management philosophy.

FINANCING

Non- monetary.

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