

Original article

Cooperativism in Ecuador: current events and prospects

El Cooperativismo en Ecuador: actualidad y perspectivas

Cooperativismo no Equador: situação atual e perspectivas

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ABSTRACT

Cooperativism as a socioeconomic model, with its organizations, increasingly has the potential to influence the needs of communities, especially in the Latin American region. In Ecuador, the presence of cooperatives in the savings and credit sector is notorious from the economic and financial point of view, however, the evidence that the social component is not handled at the same level, based on previous studies, constitutes the main background for the development of this work that shows an analytical and systemic reflection on the matter. An analysis of the situation of the national cooperative sector was carried out to reinforce the role of cooperatives as socioeconomic enterprises with extraordinary capacities to achieve the change to which families, communities and the nation aspire. The research developed is of a theoretical and analytical nature. A systemic analysis was obtained with certain recommendations in relation to overcoming the problems present in Ecuadorian savings and credit cooperatives, with a view to integrally managing the social and economic components, a fundamental premise for achieving the results expected from their activity at the local and national level.

Keywords: cooperativism; cooperative enterprises; financial sector; economic development; social development; Ecuador.

RESUMEN

El Cooperativismo como modelo socioeconómico, con sus organizaciones, tiene cada vez más la potencialidad de influir en la atención de las necesidades de las comunidades, especialmente en la región latinoamericana. En Ecuador, la presencia de cooperativas en el sector de ahorro y crédito es notoria desde el punto de vista económico y financiero, sin embargo, la evidencia de que el componente social no se maneja en el mismo nivel, con base a estudios previos, constituye el principal antecedente para el desarrollo de este trabajo que muestra una reflexión analítica y sistémica al respecto. Se realizó un análisis sobre la situación del sector cooperativo nacional que permita reforzar el rol de las cooperativas como empresas socioeconómicas con extraordinarias capacidades de lograr ese cambio al que aspiran las familias, las comunidades y la nación. La investigación desarrollada es de carácter teórico y analítico. Se obtuvo un análisis sistémico con ciertas recomendaciones en relación con la superación de las problemáticas presentes en las cooperativas de ahorro y crédito ecuatorianas, de cara a gestionar integralmente los componentes sociales y económicos, premisa fundamental para lograr los resultados que se esperan de su actividad a nivel local y nacional.

Palabras clave: cooperativismo; empresas cooperativas; sector financiero; desarrollo económico; desarrollo social; Ecuador.

RESUMO

O cooperativismo como modelo socioeconômico, com suas organizações, tem cada vez mais o potencial de influenciar as necessidades das comunidades, especialmente na região da América Latina. No Equador, a presença de cooperativas no setor de poupança e crédito é notória do ponto de vista econômico e financeiro, mas a evidência de que o componente social não é tratado no mesmo nível, com base em estudos anteriores, constitui o principal pano de fundo para o desenvolvimento deste trabalho, que mostra uma reflexão analítica e sistêmica sobre o assunto. Foi realizada uma análise da situação do setor cooperativo nacional, a fim de reforçar o papel das

cooperativas como empresas socioeconômicas com capacidades extraordinárias para alcançar a mudança a que aspiram as famílias, as comunidades e a nação. A pesquisa realizada foi de natureza teórica e analítica. Obteve-se uma análise sistêmica com algumas recomendações em relação à superação dos problemas presentes nas cooperativas de poupança e crédito equatorianas, com vistas à gestão integral dos componentes sociais e econômicos, premissa fundamental para alcançar os resultados esperados de sua atividade em nível local e nacional.

Palavras-chave: cooperativismo; empresas cooperativas; setor financeiro; desenvolvimento econômico; desenvolvimento social; Equador.

INTRODUCTION

Ecuador is a country that, with peculiar natural, geographical, cultural and historical conditions, has undertaken in recent decades a frank process of search for development, an aspiration represented in the different Development Plans in force that, associated with one or another political stance, have not ceased to pursue goals that in the economic, social, environmental and institutional order are still a chimera for the nation, coupled with the Sustainable Development Goals.

Figures published by the Economic Commission for Latin America and the Caribbean indicate that Ecuador managed to overcome a relative macroeconomic stability, compared to other countries in the region, in the Covid and post-Covid era. For example, employment figures, Gross Domestic Product and other macroeconomic indicators in the period 2019-2021 in Ecuador remained among the best in the Latin American region (Cepal, 2022).

However, the social problems in the country continue to be a concern, especially in relation to indicators that represent the levels of poverty, extreme poverty, chronic malnutrition, informal employment, access to social security, insecurity, and the increase in violence, among others. And these indicators have not been chosen at random, they are perhaps the ones that best represent the population's access to various services that are directly related to quality of life, as is the case of multidimensional poverty that evaluates access to education, social security, health, water, food and housing.

In 2008, with the enactment of the current Constitution of the Republic of Ecuador, the role of the popular and solidarity economy was defined, which includes the cooperative, associative and

community sectors, currently grouping more than 16,000 organizations. The sector is governed by the Organic Law of Popular and Solidarity Economy, its Regulations and other related rules, directed by the Superintendence of Popular and Solidarity Economy, whose mission is to promote sustainability, the proper functioning of organizations and the protection of members. However, according to Luque González and Peñaherrera Melo (2021), solidarity, reciprocal and balanced development management has not been achieved in all the subsectors that make up the popular and solidarity economy.

Of these organizations, 97% are engaged in non-financial activities. Of the 435 financial entities, 99% are cooperatives which, together with the non-financial ones, make up the 3043 that currently exist in the country, representing 18.6% of the popular and solidarity economy organizations in the country.

The objective of this paper is to analyze the situation of the national cooperative sector in order to reinforce the role of cooperatives as socioeconomic enterprises with extraordinary capacities to achieve the change that families, communities and the nation aspire to.

MATERIALS AND METHODS

In developing a theoretical research with an analytical and systematic approach, scientific methods and procedures were used that contribute to the achievement of the proposed objective, such as historical, systemic, analytical-synthetic, dialectical, among others.

The results presented here are part of the reflection developed around the identified problem and have been organized in two sections: Systematic analysis and proposal.

To define the proposal, the systemic and modeling method was applied to outline the elements that would allow improving the situation, in order to achieve a balance between the economic and social management of Ecuadorian savings and credit cooperatives.

RESULTS AND DISCUSSION

Systematic analysis

A comparative analysis between non-financial and financial cooperatives in the country shows that the former have grown by 3.7% in the last decade, while the failure rate of financial cooperatives has exceeded 50% in the same period.

The economic sector where the presence of non-financial cooperatives is greatest is transportation, while financial cooperatives are concentrated in 79% of segments 3 to 5, i.e., where the range of assets is less than US \$20 million.

In non-financial cooperatives, the proportion of members per cooperative averages 50 members and in financial cooperatives more than 11,600. The participation of men is higher in the non-financial cooperatives (70 %), and in the financial cooperatives it is 53 %, therefore, there is a better balance between men and women. The presence of young people is higher in financial cooperatives, while with respect to seniority, in non-financial cooperatives 46 % have remained for more than nine years and in financial cooperatives no data is documented, but, for example, in the work of Zambrano (2019) it is indicated that there is a high turnover rate of members, especially due to loyalty that depends on fluctuations in interest rates in particular.

In both types of cooperatives, the most common level of education among members is high school. Regarding managers, in financial cooperatives 52% are men; 7.7% are under 30 years of age and 56% have a university education, while in non-financial cooperatives there is no specific analysis available in official databases, nor documented research on the subject. At this point it would be opportune to open a parenthesis in relation to the primordial need of having robust statistics that guarantee the comparative analysis of the cooperative sector with others and between organizations, with the purpose of strengthening decision making from the public sphere to that of the enterprises themselves. A summary of the comparison is presented in table 1.

Table 1. Comparative analysis between financial and non-financial cooperatives

NON-FINANCIAL COOPERATIVES	FINANCIAL COOPERATIVES
In the last decade they have grown by 3.7%	They have decreased by more than 50%
72 % are transport cooperatives	79 % are concentrated in segments from 3 to 5
50 members average	11600 members average
78 % of the members are men	53 % of the members are men
7 % of members are under 30 years of age	20 % of members are under 30 years of age
54 % of the members have been with the cooperative for less than nine years	High fluctuation of members
Prevalent level of education of members is high school	
---	Managers: 52 % male; 7.7 % are under 30 years of age and 56 % have a university education

Source: Own elaboration based on public data

As can be inferred, cooperativism in Ecuador is heterogeneous and has a clear division into the financial and non-financial sectors, where the former is definitely the most recognized at the national level, given the fact that almost one out of every three Ecuadorians has at some time been associated with it and that, due to its volume of assets, it accounts for around 15% of the gross domestic product and 18% of the assets of the national financial system.

Going deeper into the practice of savings and credit cooperatives as financial intermediation entities, they coexist with others of public and private nature, being common the applicable regulations, in this case, the Organic Monetary and Financial Code (National Assembly of Ecuador, 2014), in which, in a simple search, there is no specific reference to cooperatives, so it gives a homogeneous treatment to all entities participating in the monetary and financial system, securities and insurance regimes of Ecuador.

According to Luque González and Peñaherrera Melo (2021), the regulations should allow a sustainable development of these cooperatives in the country, respecting their essence and model. In other words, the important factor for any socioeconomic activity is the regulation, in this case it treats financial entities independently, ignoring the social approach that prevails in cooperatives.

Below and as a synthesis of the work of several research (Cuenca Caraguay et al., 2018; Fernández Lorenzo et al., 2017; Guerrero Guevara & Peñaloza López, 2022), it is presented some of the internal issues identified, which indicate that, undoubtedly, the challenges are still many:

- The corporate structure and functions are not related to the cooperative essence
- Lack of strategic vision, limiting the cooperative's ability to adapt to changes in the environment and remain competitive
- Economic activity is prioritized over social activity
- Development of isolated social programs, without a systemic character
- Insufficient knowledge of the needs of members, managers, employees, families and community members and development of programs to address them
- Social activity planning is affected by the failure to define objectives and the social budget, as well as the insufficient participation of the members in the preparation and approval of the strategic plan and annual operating plans
- The majority lack of knowledge of the principles of Cooperativism and its limited incorporation into management
- Low impact of cooperative education
- Insufficient education and training of cooperative leaders in leadership and cooperative management
- Lack of cooperation among cooperatives, in some cases they compete with each other instead of collaborating to achieve common objectives
- Lack of transparency and internal control, in 2019 the Ecuadorian government intervened several cooperatives due to financial and administrative irregularities

Overcoming all these internal limitations and others described above will be the only way to overcome the stigma of a classic financial institution and become an organization that satisfies both the economic and social needs of its members.

Proposal

For a country like Ecuador where, by constitutional precept, the economic system is social and solidary, with the harmonious coexistence of actors such as the State, the market, society, nature and others, where an Organic Law of Popular and Solidary Economy has been proclaimed, where there are public bodies for the regulation of the sector, among other advances and where financial

cooperativism has the leading role described above, it becomes an imperative to establish a public policy, regulations and institutional support to promote the effective economic and social balance of the entities of the financial cooperative sector. Figure 1 shows the above proposal.

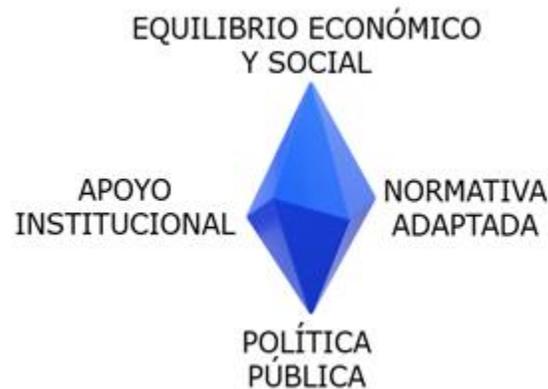


Figure 1. External factors that should promote economic and social equilibrium in cooperatives

Source: Prepared by the authors

As an example of the importance of the support of public bodies in strengthening the sector, it should be pointed out that without the active participation of national governments, the promotion of properly structured programs focused on the reality of the cooperative sector is a very complex or, at least, slow process. For example, in Ecuador, in addition to the aforementioned Superintendency, the Institute of Popular and Solidarity Economy participates in the system from the public sector, whose management programs are focused on the productive and economic sphere.

And at this point, it becomes essential to address minimally the essence of the cooperative as an enterprise, which, although sufficiently addressed by other authors, from our approach of several years of research, must direct its efforts to balance in the business management model the economic and social components. That is to say, it must define the elements that interact to plan, organize, direct and control the enterprise according to the business objectives, which, precisely, for the cooperative have a dual character (economic and social), in addition to the regularities that impose on the functions of the administration the fulfillment of the principles and values of Cooperativism. This is what led us in 2011 to define the following concept of Cooperative Business Management System: The set of mutually related elements that allow the cooperative enterprise to be integrally managed and to promote the expected results in its technical-economic and social performance (Figure 2).

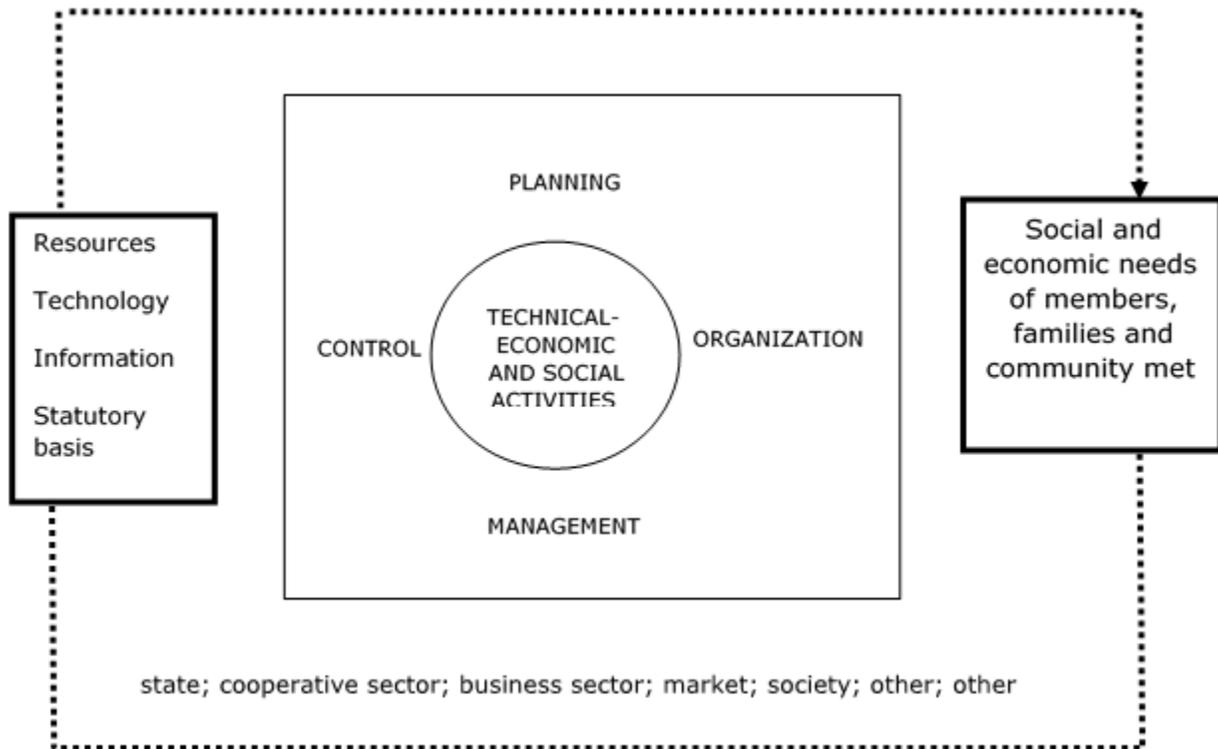


Figure 2. Cooperative Business Management System

Source: Taken from Fernández Lorenzo and Rivera Rodríguez (2016)

The integral character is defined as the principle that should govern the activity of cooperatives, not to consider the economic as the basis for the social, nor vice versa, but to balance, systematize, integrate both sides of the activity of this type of organizations.

But in order to achieve this, which has been very well explained in theory, there is always the question of how, in the current complex context, cooperative organizations manage to survive and, more complexly, to grow, be competitive and sustainable.

And in this search for answers, we must necessarily look at those cooperatives that have succeeded, that have established a management system where the social and economic aspects are balanced and those principles, values and cooperative philosophy become an input for management practice. The only way that is considered feasible for the organizations of the sector, given the complex political, economic, social and even cultural situation that characterizes Latin American nations, is precisely that of establishing alliances with different actors of the national panorama, with the

capacity to contribute to the achievement of the objectives of the cooperative sector, their own and, therefore, those of the nation.

In this scenario, it is mandatory to recognize the role of the National State, as mentioned above, which, in addition to the implementation of an effective public policy, should allocate funds to strengthen the sector and ensure the proper functioning of regulatory agencies (through a well-focused regulation and management of relevant programs and projects, among other actions).

Additionally, public and private organizations, business or otherwise, with which healthy cooperative relationships can be established through public/private alliances and other mechanisms that strengthen the achievement of their own and common objectives should be visualized, which continues to be a good practice for cooperatives. Among them, the interaction with academia (universities, educational and scientific centers), with the capacity to innovate in management practices in a focused and pragmatic way, stands out.

Under a comprehensive approach to stakeholder relationships that promote the development of diverse socioeconomic systems, active relationships with society and nature must be taken into consideration. Carayannis et al. (2012) termed it as a quintuple helix approach, which incorporates to the traditional three helixes (state, academia, industry) the social and environmental components.

But an endogenous approach will never be sufficient to achieve all that is required to manage a cooperative enterprise. The need to identify the internal actors (managers, members and families), as well as their proactive participation in the first place in the perception of their needs, in the capacity that the cooperative has legally and philosophically to achieve it and in how to get involved in the planning, organization, execution and control, would be some of the aspects to focus on. In this case, the market approach is only a tool to visualize, from a sociological perspective, how the passive subject will become an active one in the participation of the cooperative management process.

Figure 3 summarizes the proposal of actors to be considered, in view of the qualitative and quantitative leap required by the cooperative sector.

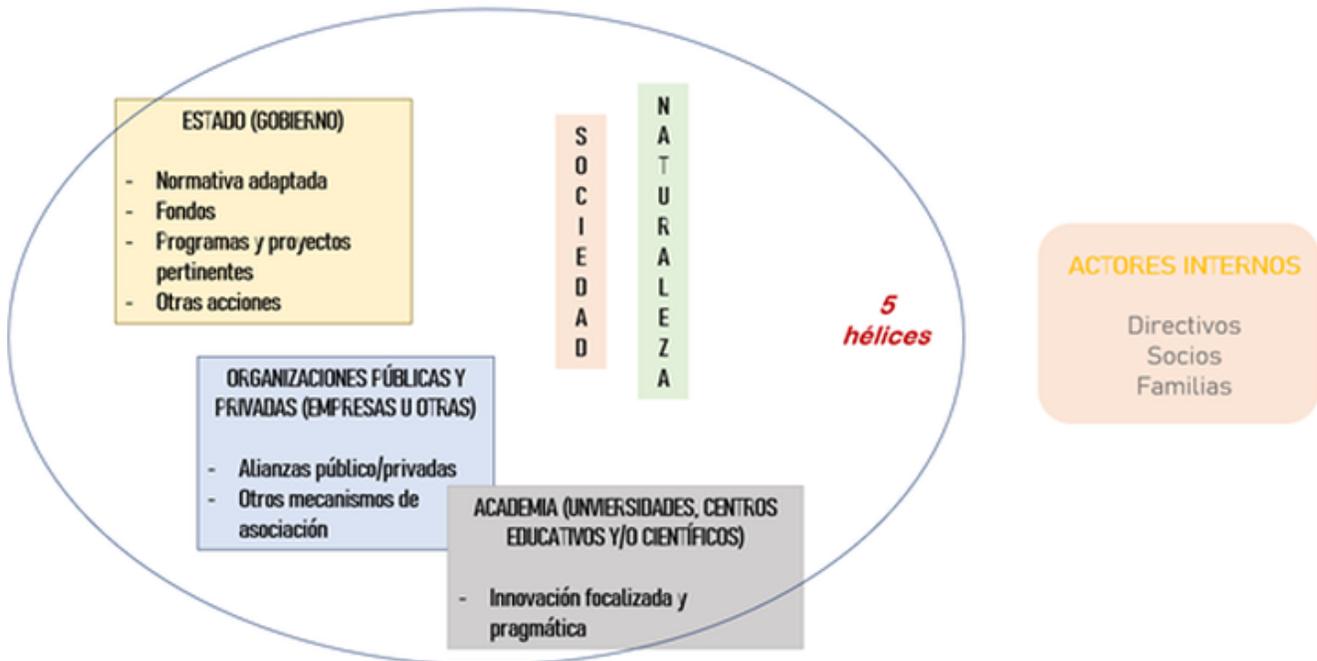


Figure 3. Representation of internal and external stakeholders

Source: Prepared by the authors

In the internal scope of the cooperative, a concept that from the traditional administration has been used for many years stands out, leadership, which according to Barrantes (2017), "leadership in cooperativism cannot be understood as a hegemonic figure, but rather as a shared and democratic leadership, in which members have a fundamental role in decision making and in the management of the organization". In the same vein, according to the International Cooperative Alliance (2019), "Democratic leadership is fundamental to the success of cooperatives. In a cooperative, leadership focuses on empowering members to actively participate in decision-making and fostering a culture of cooperation, transparency and solidarity." In the research of Galarza Torres (2019), the influences of leadership with the financial performance of Ecuadorian savings and credit cooperatives were evidenced.

Undoubtedly, the reality of the Ecuadorian cooperative movement is not different from other experiences in other countries of the region, where there are many problems that must be solved from the external and/or internal point of view, based on the conviction that the sector has a high capacity to contribute to the attention of the social and economic problems that affect Ecuador and other Latin American nations.

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Conflict of interest

Authors declare that they have no conflicts of interest.

Authors' contribution

Angie Fernández Lorenzo directed the work, designed the structure of the article, participated in the selection of the topics to be analyzed and in the writing.

Sandra Patricia Galarza Torres participated in data collection, analysis and writing.

Both authors approve the version finally submitted to the journal.



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