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RESEARCH ARTICLE

ELECTRONIC MONEY AND ITS IMPACT ON THE FORMAL BUSINESS OF MILAGRO CITY

^{1,*}Rosa Espinoza Toalombo, ²Hugo Campos Rocafuerte and ³Helena Jordán Baque

¹Business Administration Department, State University of Milagro, Ecuador

^{2,3}Business Administration and Finance Department, Technical University of Babahoyo, Ecuador

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ABSTRACT

The electronic money, in the strictest sense, is a revolutionary financial service that provides great advantages to its users. Its use in the social masses incorporates it in the financial system creating real opportunities for development and social inclusion. It attends to all population stratification from any economic situation requiring financial services to order its economy efficiently.

Key words:

Electronic Money,
Social Inclusion,
Social Economy,
Financial Services

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INTRODUCTION

It is important to go back in time to analyze the reasons for the new reform of the COFM. In 1914, Ecuador already went through a banking crisis caused by conflicts between the cocoa sector and private banking ("Document details | 07th of July 2014," n.d.) (A., 2014). The power of private enterprise and the free market were a political constant in the following governments. In that sense, the help and the agreement that the Central Bank of Ecuador maintained as purpose to innovate the procedures in the monetary financial system and address this small extract with the impact of electronic money in the country and the laws created and applied as a result of that. In which, it is conceptualized to be a way of transferring money in real time through various electronic mobile devices. In order to set it to convert into a form of official payment it will be regulated by the ECB and also all sectors: businesses and other people immersed in the market who will acquire obligations. This objective will benefit all Ecuadorians since it would be a new tool to support the programs of the State. "The so-called electronic money is an innovation in payment services which has been made possible by developments in

information, technology, massive data management, and creation of large networks of communication and cooperation between companies and institutions. Its diffusion and growth potential are significant, as well as its impact on the efficiency of production processes, habits of purchase and consumption of society and, in general, their well-being" (Trends, 2013). Nowadays, the need to adapt to changes has become matter of survival in the world and economic environment of enterprises, individuals and other incidents that exist within the same. Since ancient times the barter became one of the ways to exchange a good or respective service needed. The passing of time and evolution have resorted other methods of exchange such as the use of overweight coins, metals, cocoa, and others.

But the technological advances, that are in our daily lives, have enabled globalize the exchange of money for the acquisition of a good or service. The currently use of the credit cards, bank transfer, orders for the acquisition of raw material of cosmetic products from that long road the proposal which has been implemented in the country is the use of electronic money, keeping it that way in the globalized system in which they are other Nations; and in the same way a good relationship and bond that will allow to make faster business agreements and getting those products that were prevented to be obtained by the borders between countries. Among the main advantages of this new ways of payment basically are in greater efficiency

*Corresponding Author: Rosa Espinoza Toalombo
Business Administration Department, State University of Milagro,
Ecuador

and lower costs for the public to clarify that electronic money is not a new currency, nor is it a substitute for the dollar. Electronic money will be a tool for more efficient payment in sense of ease and speed to the public at the time of having money at any moment; when people wish to have electronic money what they have to do is go to a place of transaction which it can be an agency of any financial institution, or malls that little by little will go spreading throughout the country since it is created so that it can be used in the whole country without exception. Citizens will go to these points where they can make use of this new ways of payment with physical money and in exchange for this form of traditional payment, the institution of electronic money will charge to your mobile device the appropriate balance to the value by the amount that the person is carrying out the exchange. Major advantages include: immediate processing, reduction of cost by disappearance of the role, avoiding manual errors will reduce transaction times and prevent counterfeiting checks (Jaramillo, 2014).

Among the disadvantages we can point the greater chance of virus, inconveniences to retrieve information if a card is lost or stolen, it must be topped constantly, it has a higher manufacturing cost, card readers are needed, and it is vulnerable to the liquids (Jaramillo, 2014). The correct use of this type of electronic payment must be backed by the amount of money in real dollars that remain in the accounts of the Central Bank of Ecuador, for that electronic money shall be part of a known set of balance sheets since it can be regulated in a manner similar to the fractional currency. The impact of the system of electronic money in the formal business aims to establish a correct use of financial services that banks offer also other financial institutions, the utility generated when implementing this system of electronic money to benefit in our country to the sectors with the greatest need, this would contribute to the economic and social inclusion of those sectors, that achieve poverty being efficiently diminished in our territory. The entity that will distribute properly, implement and manage this system of electronic money in our country is the Central Bank of Ecuador.

In the resolution No. 005-2014-M in chapter I, article 1 establishes that the electronic money (SDE)-"It is the set of operations, mechanisms and standards that facilitate the flow, storage and transfers in real time, between different economic agents, through the use of: electronic, electromechanical, mobile and fixed devices, smart cards, computers and others incorporated as a result of technological advancement". Therefore, electronic money it is defined it as a monetary value that is expressed in legal tender, which is commonly known as a form of payment in the different economic elements are involved. In this rule or resolution determine different deadlines that correspond to the implementation of this system. Also, it establishes that people involved in this system can be found as the issuer and administrator, among others the macroagents that are the public companies and private financial institutions, which make up the system of popular and solidary economy, who within their outlining have their customer care center, having the power to access mobile money and turn it into cash as designates the administrator of that implementation. Also, the transactional centers which they

are agencies or call-center departments of the microagents, who obtained the final product or service of electronic money are the users in general. The main rates that Central Bank stipulated as shown in the following table:

Table: Tariff Rates

PAYMENT FROM PERSON TO PERSON		TRANSFERS TO THE FINANCIAL SECTOR	
Transaction		\$1 a \$100	\$ 5 cent.
\$0.1 a \$0.99	\$1.5 cent.	\$101 a \$9000	\$15 cent.
\$1 a \$ 10	\$ 2 cent.	Payment of taxes and fees	
\$1 a \$ 50	\$ 4 cent.	\$1 a \$100	\$ 5 cent.
\$51 a \$300	\$ 6cent.	\$101 a \$9000	\$15 cent.
\$300 a \$ 2000	\$ 10 cent.		
		Use of ATM	
		any value	\$ 15 cent.

Source: Central Bank of Ecuador

Users of the electronic money system may make payments from your cell phone to another user, in the same way may receive them.

Barriers for Financial Inclusion

For the people in our country who do not have financial services there are barriers among them are:

- Variety of paperwork
- Costs
- Estimated poverty
- Distance

How does this system of electronic money will support to the popular economy and solidarity of the country?

As we know this type of electronic money system is managed by the Central Bank of Ecuador and shows us the ECB to ensure that all people living in our territory may open an account of electronic money which the citizen can provide several benefits as shown below:

- You will have access to government network
- Transaction costs are reduced
- You will get information about the affecting markets
- Benefits in financial inclusions

Importance of the use of electronic money in the formal business

The use of electronic money in business formal is of great importance because our country still has a banking or rate of expansion in the more developed cities, but in the part covering the rural area there are people who cannot expand their businesses by not knowing how to strategically use money, preventing them from developing productive activities therefore the implementation of the electronic money will help to solve it.

MATERIALS AND METHODS

The inductive method was used in the research. This method is based on the knowledge process is initiated in the observation

of particular phenomena, in order to reach conclusions and general premises that can be applied to situations similar to those observed. Descriptive research according to (Tamayo, 2003) in his book scientific research, descriptive research process "includes description, registration, analysis and interpretation of the current nature, and composition or process of phenomena. The approach is made of key conclusions or group of persons or group of objects, leads or works at present." We also used the technique of the survey, we designed an instrument that allowed delineate the conduct of the business owners and obtain data on supply, demand, places of use and acceptance of electronic money.

Analysis and presentation of results

Interviewed owners of formal business of Milagro city it was discovered that the socialization of e-money system is simple but to provide consumers and public in general there may be obstacles in the management of the system, and the know-how that the market could offer to their users.

Surveys were applied to formal business in Milagro city, below are the main findings:

1. Do you know the term "electronic Money?"

Analysis: As result of the survey carried out 10 traders of the canton miracle, we can give has a 70% has knowledge of the use of electronic money, and another 30% does not really know the significance of electronic money.

Table 1. Knowledge of electronic money

Options	N° Replies
Yes	7
Little	-
No	3
Total respondents	10

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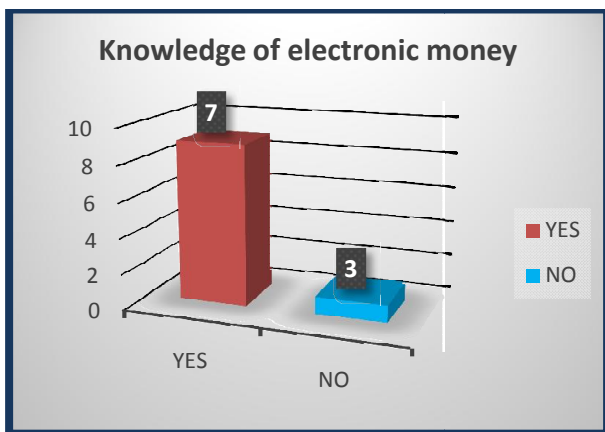


Figure 1. Knowledge of electronic money

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2. Does the commercial activity in which you perform is ready to handle the electronic money?

Analysis: analyze this question we realize if there is an acceptance of 60% of the business owners to adopt this system

of electronic money as part of a technological innovation that will help to improve their economies and be competitive within the market.

Table 2. Adoption of electronic money

Options	N° Replies
Yes	6
No	4
Total respondents	10

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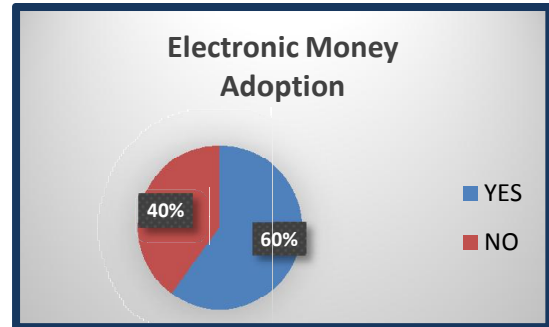


Figure 2. Adoption of electronic money

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3. Do you consider that electronic money will have a big impact in society?

Analysis: 80% of respondents indicate that if it will have an impact in our society at the moment to implement this method of payment; however 20% responded that this project which already entered into execution in the country will not affect the business.

Table 3. Impact of electronic money

Options	N° Replies
Yes	8
No	2
Total respondents	10

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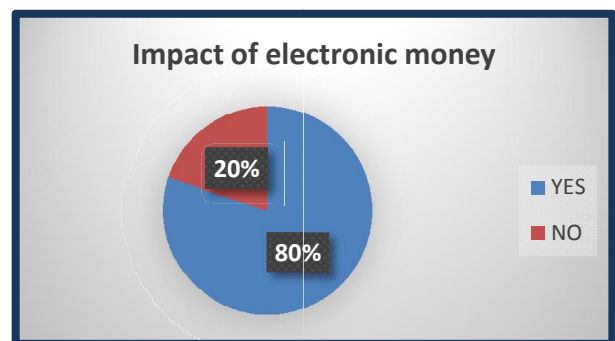


Figure 3. Impact of electronic money

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4. Would you be willing to receive training about electronic money?

Analysis: Much of our respondents indicated us that are interested in receiving training to learn more about electronic

money and put it into practice, because this system would allow them to increase their sales; however 30% of those surveyed aren't interested in receiving any information the use of "Electronic money"

Table 4. Training on electronic money.

Options	N° Replies
Yes	7
No	3
Total respondents	10

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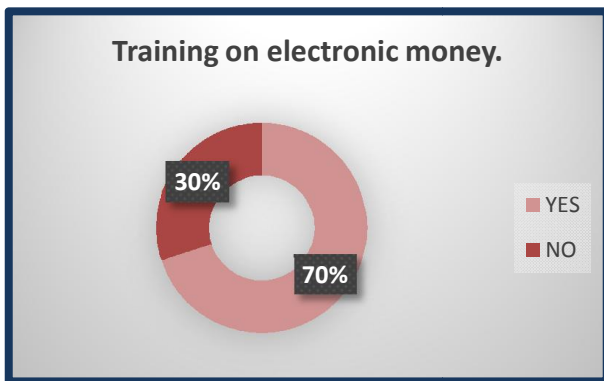


Figure 4. Training on electronic money

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5. Do you think that through the use of electronic money in your business sales will increase?

Analysis: 40% of respondents say that they prefer to continue with their traditional way to get your physical money and not

Table 5. Utilization of electronic money

Options	N° Replies
Yes	6
No	4
Total respondents	10

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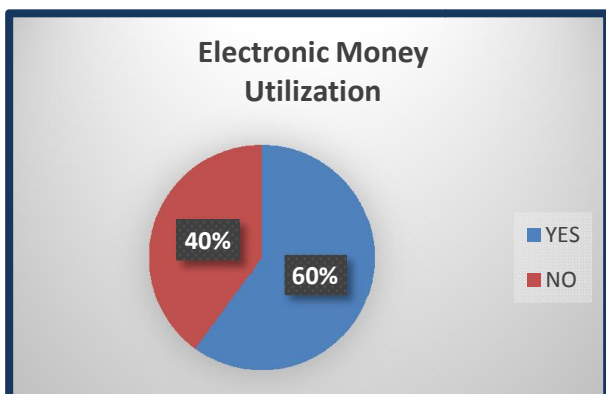


Figure 5. Utilization of electronic money

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through a mobile device, and that the mechanism of implementation of electronic money in the country would not

increase the percentage of sales that they perform daily, conversely the 60% of the people surveyed expressed their sales if they increase the use and benefits of electronic money. Since earnings which is obtaining product of the day would be safe against crime.

6. Do you think the risk would be minimal using electronic money?

Analysis: 70% of our respondents consider that the risk is lower because the transactions are carried out from your business and do not have to constantly go to the banks, 30% consider that if there is a risk when using electronic money by not knowing how to use it.

Table 6. Lower risk

Options	N° Replies
Yes	7
No	3
Total respondents	10

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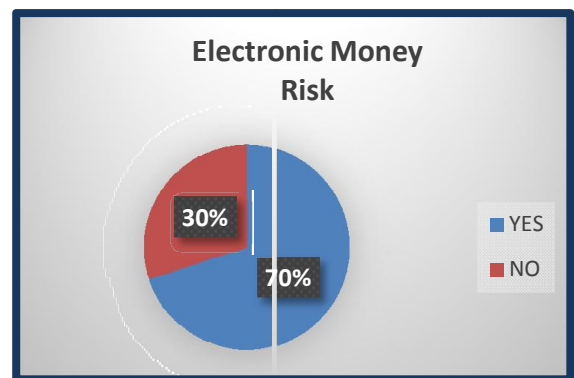


Figure 6. Lower risk

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4. Do you think that electronic money will be a reliable source for marketing for formal business?

Analysis: 60% of the interviewees expressed that the tool of electronic money would facilitate better marketing of their

Table 7. Advantages in marketing using electronic money

Options	N° Replies
Yes	6
No	4
Total respondents	10

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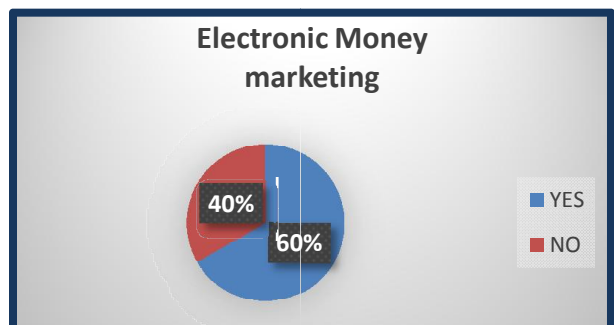


Figure 7. Advantages in marketing using electronic money

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products or they would achieve loyalty to their customers, since payment transactions would be easier and simpler, conversely 40% does not rely on the use of electronic money that can lead to improve the marketing of their products.

Conclusions

The market of electronic money in Ecuador is not yet developed, technically feasible, has a very important effect on the reduction of poverty, and also is a tool that will include a greater number of citizens who have been excluded. The remnants of the financial system still not have been overcome fully. The direct consequence of the above results in a proportion of business owners have not had access to financial services which adversely affects their income and thus to be competitive. To make diagnosis traders, mostly whether they be to the use of electronic money as a tool or method of payment, which facilitates the transaction of purchase; but that in turn provide the safe, both for the seller and for the client, with the benefit of not using physical money. This new system of electronic money for business will help since they will allow them to obtain the establishment of new economic networks in the popular and solidary sector that facilitates their markets to increase sales of their products.

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