

Expanded abstract

Analysis of the impact of regulatory changes on community banking in Ecuador: the Atucucho case study

Objectives

This study aims to critically examine the adverse impacts of successive regulatory changes on community banking in Ecuador, with a focus on the Community savings bank of Atucucho as a paradigmatic case within the Popular and Solidarity Economy (EPS). Drawing on interdisciplinary dimensions –political, social, economic, and cultural– the research elucidates how normative fluctuations undermine financial inclusion, social cohesion, and sustainable development for marginalized populations.

Specific objectives include: (1) evaluating the incidence of regulatory oscillations on community banking operations, highlighting contradictions between constitutional mandates and enforcement practices; (2) analyzing the practical implications and transversal effects of the current normative management model, including restrictions on deposits, credit provision, and institutional autonomy; and (3) assessing the broader financial policy landscape and its socio-economic repercussions, particularly in fostering solidarity-based alternatives amid extractivist banking dominance.

Methodology

Using a single case qualitative methodology (Yin, 2018) and employing abductive logic, this research investigates the effects of regulatory frameworks on how communal banks operate in Ecuador. Based on an initial literature review on cooperative and solidarity-based economies (Coraggio, 2015), the research uses an inductive approach to develop categories from empirical sources while maintaining some level of constructivist Grounded theory (Charmaz, 2015). There was thus a back-and-forth iterative process of developing categories from the data and rethinking the original purposes of the research as the researchers became aware of the divergence between the constitution's intentions for solidarity-based cooperatives and the actual application of regulations.

Data collection occurred before any formal analysis of data. Data were collected through semi-structured qualitative interviews taken from institutional representatives (e.g., CEOs of banks, employees of social entrepreneurship) and by analysing archival records chronologically from 2008–2025 from both SEPS and JPRMF regarding changes to rules and regulations. Thematic analyses were intended as open, axial, and selective coding using an inductive process according to constructivist Grounded Theory (Charmaz, 2015) to help researchers iden-

tify contradictions from external sources without restricting researchers to predetermined categories. Triangulation created a stronger basis of validity through cross-checking between historical documents and participant interviews and achieving theoretical saturation of the core themes identified from participants. Details of the sequential process: data collection → inductive coding → triangulation → emergence of themes. This demonstrates that theory emerges from the data (Yin, 2018).

Results

1. The historical analysis reveals that the *Caja Comunal Atucucho* originated as a community bank in the early 2000s, evolving through successive reclassifications to “community bank” in 2013 and “community savings bank” by 2018, driven by regulatory moratoriums from the *Junta de Regulación del Sistema Financiero Popular y Solidario*. These shifts, intended to standardize operations within the *Sector Financiero Popular y Solidario* (SFPS), inadvertently eroded institutional autonomy, transforming a grassroots solidarity mechanism into a heavily supervised entity with restricted credit disbursement capacities.
2. A stark contradiction emerges between Ecuador’s 2008 Constitution, which enshrines the Popular and Solidarity Economy (EPS) as a pillar of financial inclusion (Art. 283), and the praxis enforced by the *Superintendencia de la Economía Popular y Solidaria* (SEPS). Interviews with bank representatives underscore how post-2017 resolutions (e.g., No. 436-2018-F) impose stringent capital requirements and deposit caps, rendering constitutional mandates aspirational rather than operational, thereby exacerbating exclusion for low-income borrowers lacking collateral.
3. Exogenous weaknesses, primarily regulatory in nature, manifest as political interference and bureaucratic overreach, with successive norms (e.g., Resolutions 535-2019-F and 675-2021-F) imposing exogenous compliance burdens that inflate operational costs by up to 40%, as quantified through archival financial audits. These changes, often aligned with neoliberal stabilization agendas, undermine the social intermediation role of community banking, fostering dependency on informal credit networks.
4. Socio-economic and cultural implications are profound, with affected stakeholders – predominantly indigenous and urban poor communities– reporting diminished social capital and heightened vulnerability to market volatility. Thematic analysis of in-depth interviews indicates a 25% decline in outreach since 2019, correlating with increased informal lending and weakened community cohesion, as solidarity-based lending models are supplanted by profit-oriented paradigms.
5. Overall, the study demonstrates that regulatory volatility compromises the developmental trajectory of community banking, curtailing its social impact and perpetuating inequality within Ecuador’s EPS framework. Recommendations advocate for participatory policy reforms to reconcile constitutional ideals with institutional realities, enhancing resilience against exogenous pressures.

Conclusions

1. The successive regulatory transformations imposed on community banking in Ecuador, exemplified by the reclassification of entities like the Caja Comunal Atucucho, reveal a systemic erosion of grassroots financial autonomy. These changes, ostensibly aimed at standardization and risk mitigation, have instead amplified operational constraints, transforming solidarity-driven models into bureaucratic appendages of state oversight, thereby diluting their transformative potential within the Popular and Solidarity Economy (EPS).
2. A profound dissonance persists between the constitutional enshrinement of EPS principles in Ecuador's 2008 Constitution (Art. 283) and the regulatory praxis enforced by bodies such as the *Superintendencia de la Economía Popular y Solidaria* (SEPS). This incongruity not only undermines financial inclusion for uncollateralized low-income populations but also perpetuates a neoliberal hegemony that prioritizes extractivist banking paradigms over equitable, community-oriented alternatives.
3. Exogenous pressures, including political volatility and normative instability, have engendered quantifiable vulnerabilities, with compliance costs escalating operational burdens by up to 40% and outreach diminishing by 25% since 2019. Such dynamics exacerbate socio-cultural fractures, particularly among indigenous and urban marginalized groups, fostering reliance on informal credit networks that, while resilient, lack institutional safeguards against exploitation.
4. Ultimately, the Atucucho case underscores the imperative for participatory regulatory reforms that reconcile constitutional aspirations with empirical realities. By decentralizing oversight and incentivizing solidarity mechanisms, Ecuador can revitalize community banking as a bulwark against inequality, advancing sustainable development and social cohesion in Latin America's precarious economic landscape.