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RESEARCH ARTICLE

THE FINANCIAL ACTIVITY OF THE ECUADORIAN STATE

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ABSTRACT

The financial activity represents the set of elections or economic decisions that materialize in the realization of income and public expenses. It has been observed that public servants in Ecuador transgress the budgetary provisions established in the general budget of the State, so the objective of the investigation is concretized in carrying out a legal analysis on the transgression of the activities contained in the legal provisions of the general budget in Ecuador; The qualitative-quantitative methodology, analysis of statistical data from document review and observation were used within the methodology. Among the most relevant results, the dynamics of total expenses in the economic activity of the Ecuadorian State could be corroborated; that is, oil revenues fluctuate due to the prosperity plan between 2.6% and 2.4% of the national proforma; in the case of tax revenues, a prosperity plan between 14.4% and 13.5% of the national state proforma is required, and non-taxation ranges between 3.6% and 3.3% of the budget proforma. Likewise, those that correspond to transfers are framed in the prosperity plan between 0.3% and 0.5% of the national state proforma.

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INTRODUCTION

It is the primary duty of the State, its activities to plan national development, eradicate poverty, promote sustainable development and equitable redistribution of resources and wealth to access good living. Hence, the objective of this research is to conduct a legal analysis on the transgression of the activities contained in the legal provisions of the general budget in Ecuador; for the purpose of understanding from the economic point of view what the State has to finance and cover public spending. According to Sainz, (2000), the Financial Activity constitutes "the action of the State and other public entities that is directed to obtain the necessary income to be able to realize the expenses that serve to sustain the public services, understood in its broad sense". However, for Retchkiman (1997), the State's Financial Activity constitutes the basis of the Public Economy and defines it as "that branch of knowledge that deals with the allocation of economic

resources, through the expenses and income of the State, of the distribution of income, and wealth through taxes and transfers, to maintain economic stability using budgetary and debt policies, public works programs and state enterprises." In this order of ideas, the development of the financial activities of the Ecuadorian State, is increasingly evident due to the latest economic measures adopted by the government, causing an economic imbalance, which generates the disorder which constitutes a dislike of citizens, so that inadequate ethical conduct of the authorized authorities responsible for the governance of the Ecuadorian State is evidenced, in that sense it is specified that priority is not given to respect for fundamental citizen rights such as social responsibility and social justice. In this sense, the financial activity of the State, is aimed at finding the means by which the State is used to manage, acquire current economic means (tax and non-tax revenues), capital, sufficient financing, to solve the General Budget of a State (PGE) and with these meet public needs in the pursuit of the realization of its purposes. Therefore, to achieve that desired goal, the State must pay the General Budget, seeking to improve the Gross Domestic Product (GDP), which are economic indicators that reflect the monetary value of all goods and services produced by a State, within a period of time or fiscal year. In addition, they allow measuring the wealth obtained and monitoring the good

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administration of the funds to recommend their application and ethics.

Development

Within the legal analysis on the transgression of the activities contained in the legal provisions of the general budget in Ecuador. The Magna Carta defines the General Budget of the State, as the instrument for the determination and management of the income and expenditures of the State, and includes all income and expenditures of the public sector, with the exception of those pertaining to social security, public banking, public companies and decentralized autonomous governments. (Art. 292 Constitution of the Republic of Ecuador of the year 2008). The formulation and execution of the General State Budget will be subject to the National Development Plan. The budgets of the decentralized autonomous governments and those of other public entities will be adjusted to the regional, provincial, cantonal and parish plans, respectively, within the framework of the National Development Plan, without prejudice to their powers and autonomy.

Decentralized autonomous governments will be subject to fiscal and internal indebtedness rules, analogous to those of the General State Budget, in accordance with the law. (Art. 293 Constitution of the Republic of Ecuador of 2008). For the formulation and execution of the General State Budget, the government of President Lenin Moreno is subject to its National Development Plan 2017 - 2021 called "A lifetime". In addition, the Executive Function will prepare the annual budgetary proforma and the four-year budgetary programming each year. The National Assembly shall control that the annual proforma and the four-monthly programming conform to the Constitution, the law and the National Development Plan and, consequently, shall approve or observe them. (Art. 294 of the aforementioned Constitution of the Republic of Ecuador).

Likewise, the National Assembly will have the following attributions and duties that it determines as follows: Approve the General State Budget, which will include the limit of public indebtedness, and monitor its execution. (Art. 120 numeral 12 of the aforementioned Constitution of the Republic of Ecuador). The central State will have exclusive powers according to numeral 5 in relation to economic, tax, customs, tariff policies; fiscal and monetary; foreign trade and indebtedness. (Art. 261 numeral 5 of the aforementioned Constitution of the Republic of Ecuador). The contracting of public debt at all levels of the State will be governed by the guidelines of the respective planning and budget, and will be authorized by a debt and financing committee in accordance with the law, which will define its conformation and operation.

The State will promote the instances so that the citizen power monitors and audits the public indebtedness. (Art. 289 Constitution of the Republic of Ecuador of 2008). Regarding this indicator, the Debt Committee does not pronounce itself, the monetary fund grants Ecuador a loan of 4.2 billion dollars according to Spain, S (2019, February 21), Ecuador agrees to a financial rescue with the Monetary Fund International (IMF) in exchange for other structural reforms. (Taken from "El País" newspaper, in that sense the Minister of Finance Richard Martínez also praised in the first instance the agreement reached, which he defined as a "historical moment" that opens "the doors to a better future for all", in that the State resources

are allocated primarily to social investment, "said the Ecuadorian president, on the other hand, that the money that will be received from the multilaterals will create more job opportunities, deliver more social housing, increase the number of police or pay to state providers. From the investigators' criteria it can be specified that they had to be subject to public debt regulations, among which are that: public indebtedness will be used only when fiscal revenues and resources from international cooperation are insufficient; it will ensure that public debt does not affect sovereignty, rights, good living and the preservation of nature; with public indebtedness, investment programs and projects for infrastructure will be financed exclusively, or that have financial capacity to pay, so that only external public debt can be refinanced, provided that the new conditions are more beneficial for Ecuador, among others. (Art 290 Constitution of the Republic of Ecuador of 2008). In this way, it is necessary to go to the competent bodies that the Constitution and the law determine to carry out the previous financial, social and environmental analysis of the impact of the projects that involve public indebtedness, to determine their possible financing. These bodies will carry out the control and financial, social and environmental audit in all phases of internal and external public indebtedness, both in contracting and in management and renegotiation. (Art. 291 Constitution of the Republic of Ecuador of 2008). It is necessary to understand that the Ecuadorian State can generate its financial activities not only by way of indebtedness, but also to be achieved by the tax system is based on the legislation created by the country of origin.

The tax regime will be governed by the principles of generality, progressivity, efficiency, administrative simplicity, non-retroactivity, equity, transparency and collection sufficiency. Direct and progressive taxes will be prioritized. The tax policy will promote redistribution and stimulate employment, the production of goods and services, and responsible ecological, social and economic behaviors. (Art. 300 of the aforementioned Constitution of the Republic of Ecuador). From another perspective, Galán, (2017), expresses that article 3 of the Organic Law of the Comptroller General of the State, is related to article 76 of the Organic Code of Planning and Public Finance of 2010, in a specific way that within "Public resources include all assets, funds, titles, shares, shares, assets, income, profits, surpluses, subsidies and all rights that belong to the State and its institutions, regardless of the source from which they come, including those from loans, donations and deliveries that, under any other title, are made in favor of the State or its institutions, natural or legal persons or national or international organizations. From what has been argued, it can be seen that public resources do not lose their quality as such, as they are administered by corporations, foundations, civil societies, commercial companies and other private law entities, whatever their origin, creation or constitution may be, until the titles, actions, participations or rights that represent that patrimony, are transferred to natural persons or legal persons of private law, in accordance with the law; realizing the precision - clearly - that the advances corresponding to public procurement do not lose their quality of public resource until they are accrued. On the other hand, the definition of tax revenue is obtained from the reading of article 78 of the Organic Code of Planning and Public Finance of the year 2010, which is intended to really classify income as permanent and non-permanent, but refers to elements that allow abstraction a unique definition: the income of public

resources that the state through its institutions and public agencies receive are tax revenues.

MATERIALS AND METHODS

In the present investigation the qualitative-quantitative methodology was used, in that sense a revision was made to documents of the Ministry of Economy and Finance, in which the violation of the budgetary provisions by the authorities authorized in relation to the activity was corroborated Financial of the Ecuadorian State. The activities carried out in relation to the operation of the country's financial resources were observed. In relation to the methodology used, the inadequate management by the Public Treasury of the activities contained in the legal provisions of the general budget in Ecuador was observed, the poor behaviors that undermine the proper functioning of the State's financial resources were observed. From the documentary review and the observation, an imbalance of the total income of the Ministry of Economy and Finance of the Ecuadorian State was pointed out during the year 2019, in which they are detailed; Oil revenue is 2.6% to 2.4%, tax revenue 14.4% to 13.5%, non-tax revenue 3.6% to 3.3%, transfers 0.3 to 0.5%. On the other hand, total expenses; current expenses 18.2% to 23%, capital expenditure 5.8 to 6.3%.

RESULTS

An analysis of the results obtained from the financial activity that are part of the General State Budget is shown below. A survey was conducted with the objective of identifying the essential aspects of the financial activity of the Ecuadorian State.

Elaborated: By the authors

From the observed, the dynamics of total expenses in the economic activity of the Ecuadorian State can be evidenced; that is, oil revenues fluctuate due to the prosperity plan between 2.6% and 2.4% of the national proforma. Tax revenues range between 14.4% and 13.5% due to the prosperity plan of the national state proforma, non-tax revenues fluctuate between 3.6% and 3.3% of the proforma due to prosperity plan. With regard to transfers, they range between 0.3% and 0.5% in the prosperity plan of the national state proforma.

Elaborated: By the authors

From the detailed above, the dynamics of total expenditures in the economic activity of the Ecuadorian State could be evidenced; This causes current expenses to fluctuate between 18.20% and 16.70% due to the prosperity plan of the national state proforma. Capital spending is in the prosperity plan between 5.8% and 6.3% of the national state proforma. The equity results range between 0.5% and 0.3% of the national proforma. The overall result (on the line) remained in the prosperity plan between 3.2% of the national state proforma.

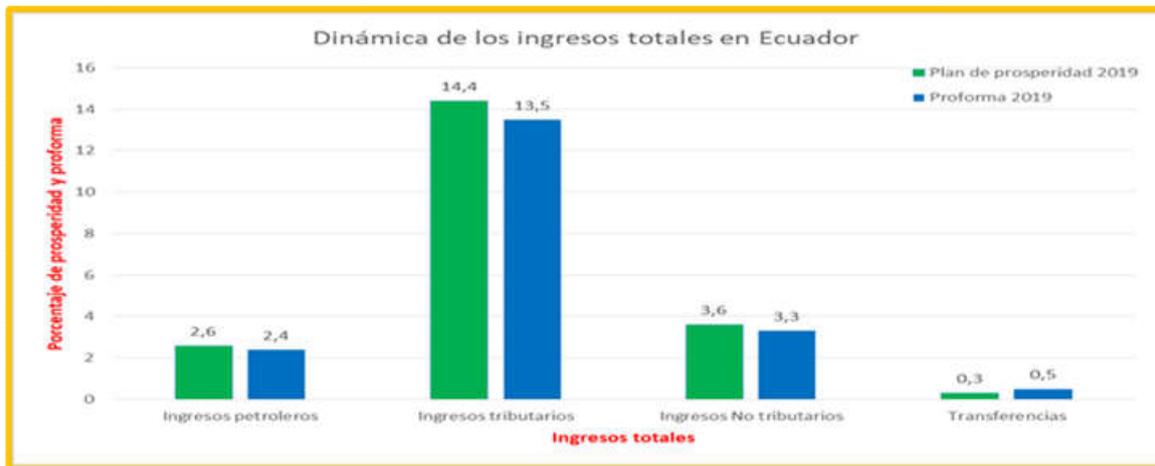
DISCUSSION

Based on the findings of the important financial activities of the Ecuadorian State, it is observed that oil revenues fluctuate between 2.6% and 2.4% of the national proforma of the State, due to the prosperity plan.

Tax revenues vary according to the prosperity plan of between 14.4% and 13.5% of the national state proforma. In turn, non-tax revenues also fluctuate between 3.6% and 3.3% of said proforma. In what corresponds to the transfers, they oscillate in the prosperity plan between 0.3% and 0.5% of the aforementioned budgetary proforma of the Ecuadorian State. These results are related to what Sainz (2000) maintains in its broadest sense, on the action of the State and other public entities aimed at obtaining the necessary income to be able to make the expenses that serve to sustain public services, so it is essential that the government authorities make an accountability to Ecuadorian citizens in order to transparent the general budget of the State that has been violated because it does not meet the purposes for the common good. Based on the purpose of the present investigation and once these figures have been analyzed, it can be expressed that the dynamics of total expenses in the economic activity of the Ecuadorian State; that is, oil revenues fluctuate due to the prosperity plan between 2.6% and 2.4% of the national proforma; in the case of tax revenues, a prosperity plan between 14.4% and 13.5% of the national state proforma is required and non-taxation ranges between 3.6% and 3.3% of the budget proforma. Likewise, those corresponding to transfers are framed in the prosperity plan between 0.3% and 0.5% of the national state proforma.

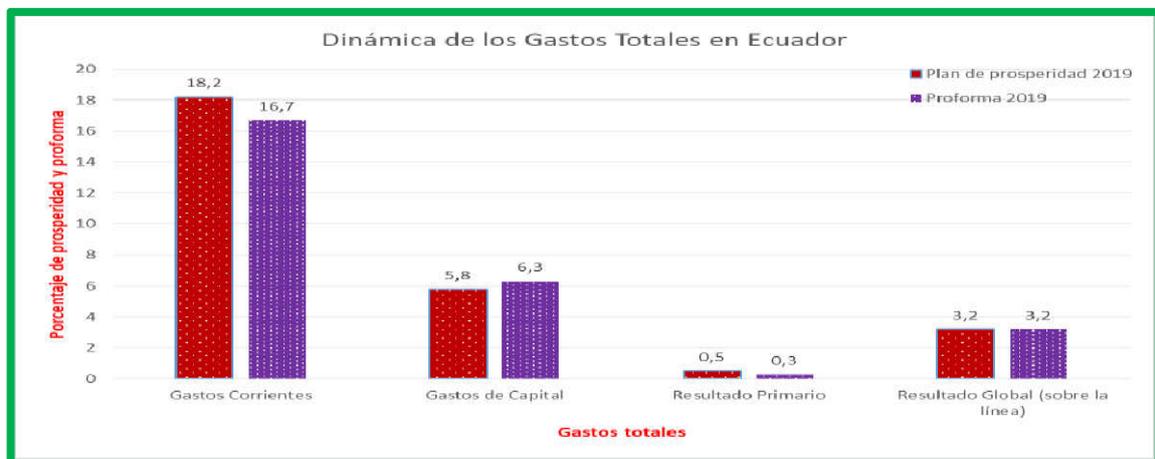
So during the month of October of the year 2019 they behaved satisfactorily, which does not justify the decision to eliminate the fuel subsidy, generating inflation. On the other hand, the reduction of the fiscal deficit has caused macroeconomic instability by increasing unemployment and the contraction of the economy in domestic trade, a similar situation occurred with the contribution of a day of monthly salary of public servants to the treasury, added to the suppression of taxes, to the importation of technologies and reduction of tariffs for the purchase of machinery. What is most surprising is that the increase in Value Added Tax (VAT) has not been included with the measures adopted. In the same order of ideas, in the graph of the dynamics of the total expenses of the economic activity of the Ecuadorian State, it could be evidenced that current expenses fluctuate between 18.20% and 16.70% of the national proforma of the State, due to the country's prosperity plan. Capital expenditure is in the prosperity plan between 5.8% and 6.3% of the national proforma. The equity results range between 0.5% and 0.3% of the national proforma due to the prosperity plan. The overall result (on the line) remained in the prosperity plan at 3.2%.

From the argument it is inferred that these results coincide with the criteria of Retchkiman (1997), who states that the financial activity of the State in relation to the Public Economy is understood as "that branch of knowledge that deals with the allocation of economic resources, through the expenses and income of the State, the distribution of income, and wealth through taxes and transfers, to maintain economic stability using budgetary and debt policies, public works programs and companies State". From the present investigation and once analyzed the figures of the current expense, it is inferred that the budgetary activities carried out by the Ministry of Economy and Finance, were positive until the month of October 2019, which does not justify that the expense is not reflected public in the campaign promises of the national plan offered by the government, which had to invest in the creation of public services, health care, education, science and technology, in order to control the prices of essential products, coordinate and properly apply economic and commercial



Source: Ministry of Economy and Finance of the Ecuadorian State 2019.

Table 1. Dynamics of total income in Ecuador



Source: Ministry of Economy and Finance of the Ecuadorian State 2019

Table 2. Dynamics of total expenditures in Ecuador

policies, create labor policies, agricultural policies, encourage the change of the productive matrix and encourage the care of the elements of production and reproduction (nature) to indigenous peoples, Afro-Ecuadorians, montubias. On the other hand, the national government has been showing weaknesses among them: lack of planning, creation of an environment of violence and social injustice to citizens, however, favorable results are needed for the indigenous people based on their demands on the basis of the stated objective, achieving the elimination of Executive Decree No. 883, which proposed eliminating the fuel subsidy. While, for the government, there was a negative result, proving to be vulnerable to citizen pressure, being a government of a social group, which does not represent the majority of the Ecuadorian population.

Conclusion

With the development of the investigation a legal analysis was carried out in which the transgression of the activities contained in the legal provisions of the general budget in Ecuador was observed; in relation to the essential aspects of the financial activity of the Ecuadorian State; such as: oil revenues, tax revenues, non-tax revenues, transfers. With the application of the qualitative-quantitative methodology, the violation of the budgetary provisions by the authorities authorized in relation to the financial activity of the Ecuadorian State was corroborated by the Ministry of

Economy and Finance. From the legal analysis the dynamics of the total expenses in the economic activity of the Ecuadorian State are inferred; that is, oil revenues fluctuate due to the prosperity plan between 2.6% and 2.4% of the national proforma; in the case of tax revenues, a prosperity plan between 14.4% and 13.5% of the national state proforma is required and non-taxation ranges between 3.6% and 3.3% of the budget proforma. Likewise, it was known that those corresponding to transfers are framed in the prosperity plan between 0.3% and 0.5% of the national state proforma.

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