



Communities bank and social currency: mechanisms for local and sustainable development from Brazilian experiences

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Social inclusion and financial inclusion

- Inclusion of all citizens is a precondition for development.
- There are several forms of social inclusion.
 - Digital inclusion, for instance, involves the access to ICT tools and services, as well as the development of skills to use them.
 - Financial inclusion is an important form of social inclusion, perhaps the one providing the basis for the other ones.
- Our research project seeks to investigate **social innovative models ...**

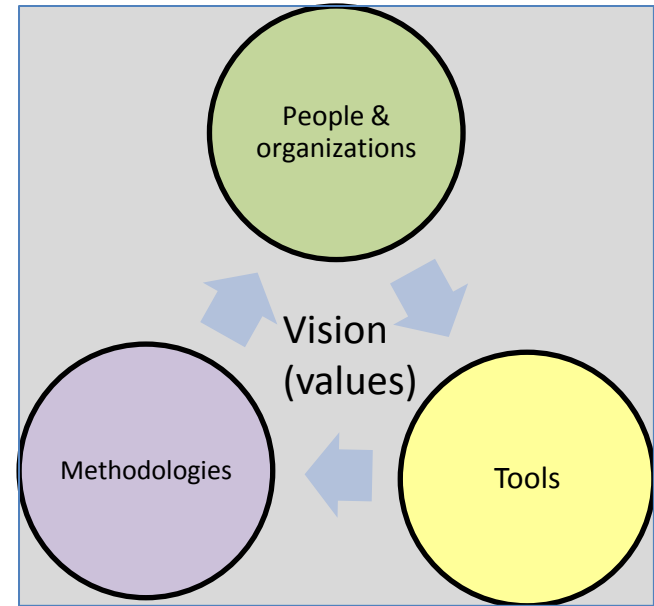
Innovative models: What does this mean?

What is an innovative “model” for us?

A model, according to our definition, is an arrangement, a combination, a configuration of **people and organizations**, **methodologies** and **tools**, articulated around a given **vision** (values).


We look for models that work as social innovations.

We adopt a social-constructivist and critical approach, where the social, the political and the technical **cannot be separated**, and the local context **should not be ignored**.



- ▶ When we talk about information and communication technologies, we are talking about “**technologies-in-practice**”, i.e., our focus are the vision and values guiding and influencing their adoption and use, and the consequences of different uses.

ICT and financial inclusion

- Our research project seeks to investigate **innovative models** (people & organizations, tools and methodologies, articulated around a given vision) that
 - help to **integrate microcredit** (and other microfinance services) and
 - **ICT** (web-based or not)
 - **to increase the scale of financial inclusion in **

An inspiring innovative model: Banco Palmas

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CINCO  **palmas**

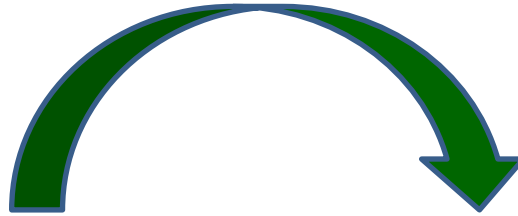


ASMOCONP - Ass. Moradores Conjunto Palmeira
Av. Val Paraíso, 698 - Conjunto Palmeira
CEP 60870-440 - Fortaleza - CE - Brasil

1998: Creation of Banco Palmas



Mission: to promote sustainable development through the creation of local networks of production and consumption



Basic assumptions:

- ✓ There are no poor territories, there are territories that lose their wealth
- ✓ All territories can be developed
- ✓ Social and economic development should be endogenous, or it is not sustainable.

Palmas model, based on three pillars:

- ▶ **Social currency (“palmas”) e local credit card (“palmacard”)**
- ▶ Map of production and consumption
- ▶ Microcredit and training

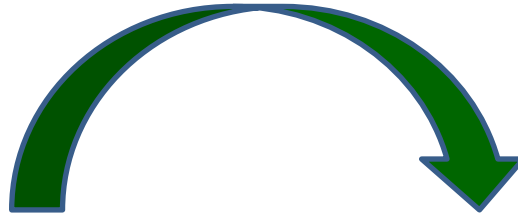
Social currency and local credit card



✓ Social currency is a currency complementary to the Brazilian national currency (R\$ Real) and created by a community bank.



✓ The social currency (Palmas) circulates only within the neighbourhood.



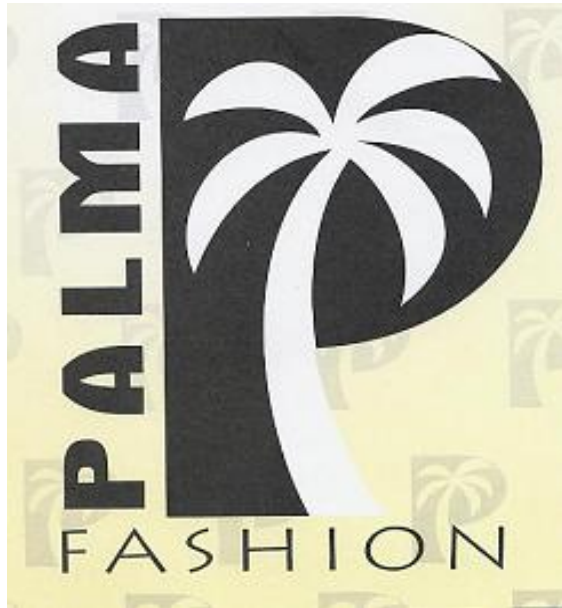
Basic assumptions:

- ✓ There isn't economic poor territories
- ✓ There is territories that are losing their wealth
- ✓ All territories can be developed
- ✓ Economic develop should be endogenous, or it is not sustainable

Holistic model, based on three pillars:

- ▶ Social currency (“palmas”) e local credit card (“palmacard”)
- ▶ **Map of production and consumption**
- ▶ Microcredit and training

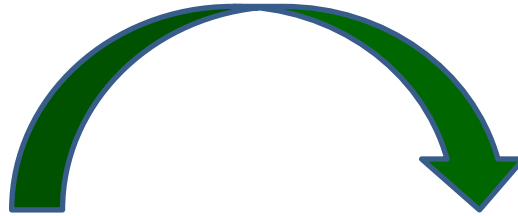
Productive-oriented microfinance



Credit for local consumption



✓ Incentives for local merchants and consumers to use the local currency by providing discounts to users.

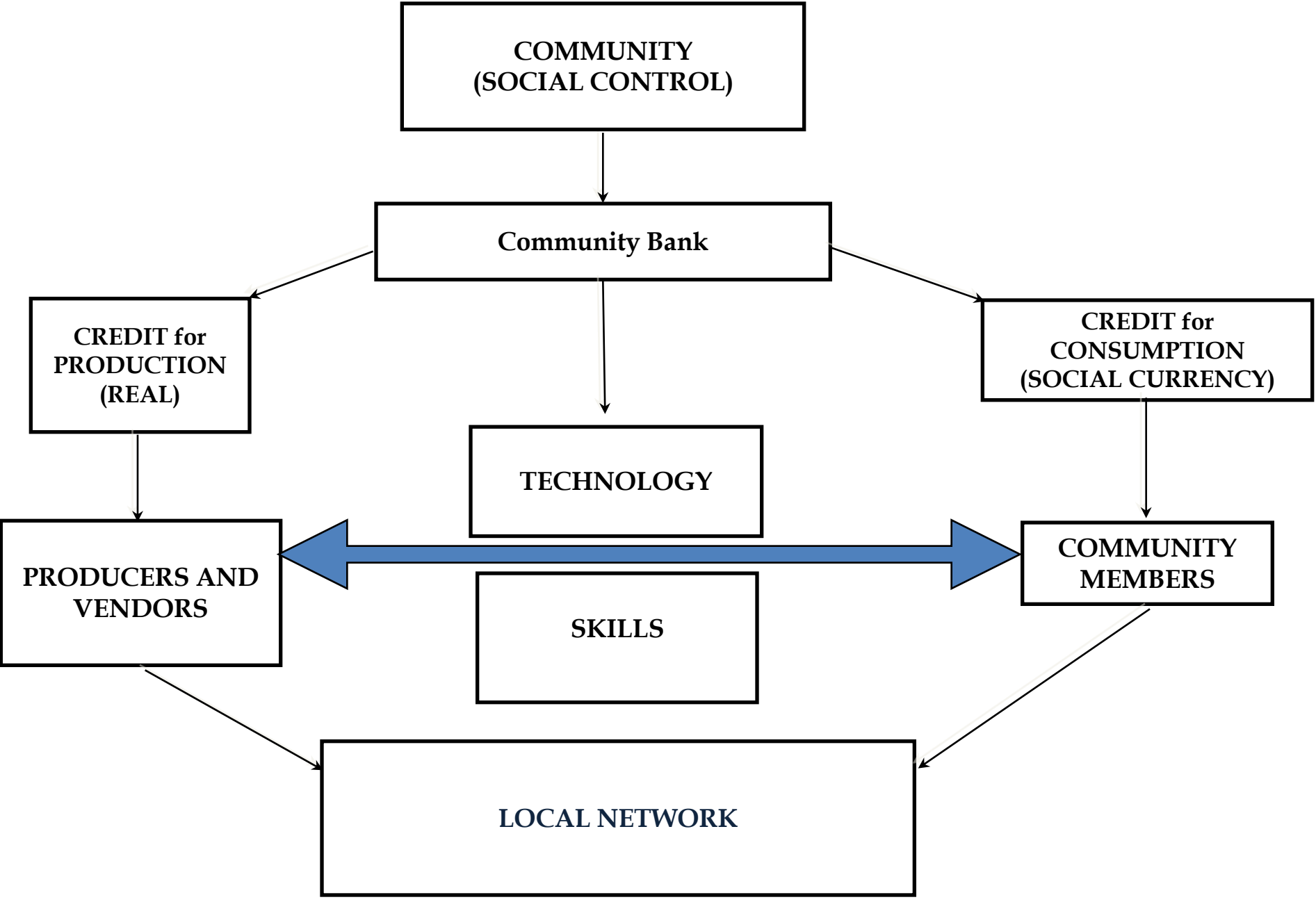


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Holistic model, based on three pillars:

- ▶ Social currency (“palmas”) e local credit card (“palmacard”)
- ▶ Map of production and consumption
- ▶ **Microcredit and training**



Brazilian Community Banks Network



What are the main characteristics of the Community Development Banks?

- ✓ The community itself decides to create the bank, becoming its manager and proprietor;
- ✓ It always acts with two credit lines: one in Real currency (R\$) and another one in circulating social currency;
- ✓ Its credit lines stimulate the creation of local production and consumption networks, promoting the auto-development of the area;
- ✓ It supports enterprises as a commercialization strategy (solidarity shops, fairs, central office for commercialization etc.)

Brazilian Network of Community Banks

- ✓ As of March 2011, 52 banks.
- ✓ Inspiration and support: Banco Palmas.
- ✓ A community bank is not a branch of a central bank, rather part of a network, following reference and common work methods defined by the Brazilian Network of Community Banks.



Replication of Palmas model



Our purpose:

To understand the implementation of three community banks - based on the Palmas model – in the Sao Paulo suburban area.

Conceptual framework

Relevant social groups

Identification of most important groups

Interpretive frames

Perceptions, principles, expectations, interests

Negotiation process

How do people interact and negotiate?

Methodology-in-practice

Consequences of the banks' implementation

Methodology




Fieldwork: October 2009 to March 2010

- Three banks, inaugurated in June 2009



- Informal conversations
- Participant observation
- Formal interviews (20) with community banks coordinators, community bank worker and business owners

Three communities

			
Location	Community Jardim Maria Sampaio ($\pm 15\ 000$ inhabitants), in Campo Limpo, a poor suburban region of Sao Paulo ($\pm 500\ 000$ inhabitants). South of Sao Paulo.	Implemented within Apuana housing project (± 4000 inhabitants, living in some 800 apartments). The bank is situated in the Tucuruvi municipality (North of Sao Paulo)	Implemented within Vista Linda housing project (± 120 houses. The bank is situated in the Jaragua municipality (West of Sao Paulo)
Local partner	Casa da mulher e da criança (local NGO)	Landless Workers' Movement local association	Landless Workers' Movement local association
Participating businesses	25 + (on the main avenue, nearby)	± 20 (most of which close to the housing project's entrance)	± 15 (most of which at some distance of the housing project)
Consumption loans	50 +	6	2
Productive loans	0	0	0

Preliminary results

Conceptual framework

Relevant social groups

Identification of most important groups



Interpretive frames

Perceptions, principles, expectations, interests



Negotiation process

How do people interact and negotiate?



Methodology-in-practice

Consequences of the banks' implementation



Analysis of the results

Coordinators, bank workers, business owners

Perceptions, expectations, interests about the community bank

Main challenges of the banks' implementation

Consequences of the banks' implementation

Interpretive frames

Most important principles
Use of the social currency to generate local development
Easier access to banking services
Community's appropriation of the bank
Financing for microentrepreneurs to boost local production
Training provided to the population and bank workers
Access to consumption loans for the low-income population
Community's autonomy to adapt the banks to the local context

This is my dream... I know this place, I would never have imagined that there would be a bank here... a community bank, but a bank still. [...] From the moment that the people really perceive the importance of having that social currency in the community, for local development, this will oblige local business owners to offer a greater variety of products on their shelves. There will be more people purchasing, the demand will be greater. They will purchase from suppliers every time bigger and why not become a supermarket [...] where one can make his purchases. This is why the social currency is important. [Carla, bank worker]

Negotiation process

Main challenges of the banks' implementation
Population's resistance regarding the bank project
Delayed approval of productive credit
Delayed use of the social currency and consumption loans
Availability of medium to long-term funding to support the bank
Insufficient dissemination of the bank and/or its social currency
Necessity to keep cash / perform daily physical cash transfers

So, since we could not secure government support for the banks [...] say, for the next two years, the communities feel insecure to get started in providing credit, in mobilizing a lot of people, because they say: "If we do all this and it ends in December, I will be the one to have to respond [to criticism] on the next day". [The people would say] "Man, what you kept saying... it was all nonsense. There's nothing left now." [...] We encounter ourselves at a quite delicate project-ending moment at which things need to happen, but at the same time they are not happening because there is no consolidated perspective. [Daniel, coordinator]

Methodology-in-practice

Consequences of the implementation
Community's acceptance / appropriation of the bank
Easier access to banking services
Increase in business owner's sales
Development of a community-oriented mentality
Emergence of social currency loyalty-based clients
Socio-economic development of the community

It is the business owner coming [to the bank] saying that he wants to accept the currency. I think that this is already a consequence of the bank, to identify it as a good idea. [...] I stopped at a shop. I had some social currency in my pocket and thought: "Hey, I 'll stop here to see if [the owner] already received some currency [from citizens], if not, I will show him [how it is] and all..." He already had received the currency and had passed it over! [Ricardo, bank worker]

Conclusion



The study will provide development practitioners and Brazilian policy makers with a better understanding of the context of the implementation of community banks, especially when considering the perspective of diverse relevant social groups.

