

Tuesday 25 October | A Future for the Financial System: Community Currencies?

Informal banking and local currency systems are presented as potential complementary or even alternative systems to the traditional financial system. What exactly are these community currencies offering that banks are not? How have these complementary currencies provided a way out of poverty, for example in Africa? Are community currencies solely a local solution? Speakers Ruth Mwangi (Grassroots Economics, Kenya) and Roel Wolfert (Qoin, Amsterdam) joined us to share their experiences and knowledge on what could possibly be the future of the financial system.



Ruth Mwangi – Grassroots Economics

Grassroots Economics provides the only community currency in Africa. It works with small business owners in 5 different slums in Kenya. Grassroots Economics allows these SMEs access to credit and enable them to pay back the credit using goods and services. The community currency is in effect a voucher only exchangeable within the community. These communities already have a trading system because they cannot afford to travel outside of their communities. A problem arises when there is a lack of national currency: they borrow from each other, and they build up debt which ends up building distrust. Community currencies provides a solution to forming a community based organisation to trade with debt. Grassroots Economics has seen this has resulted in 4 times the amount of trade. As Ruth said, community currency builds trust, strengthens community cohesion, and increases customers.

Roel Wolfert – Qoin

Qoin is not only available on printed paper but also as a card and mobile app: it is custom currency design for companies and governments all over the world. They also have an online marketplace where people can see who is involved, where you can spend your points, etc. Qoin has a time-based currency, as well as green energy currency, which is backed by green (such as solar and water-based) energy companies. As Roel said, more and more people no longer want to rely on promised government-backed currency that they do not understand and generally does not feel good.

Similarities and Differences Between These Two Systems

Similarities: Both Grassroots Economics and Qoin do not see transactions as economic but as social; Qoin calls this the social economic nature. Both also create real social transactions rather than pure economic transactions; this acts as a stimulus: people feel like they belong to something that matters and feel a dedication to their community.

Differences: One major difference is that one of Grassroots Economics' biggest challenges is finding out how much of its currency is in circulation and how much is actually being used, since their community currency is printed. This is a problem Qoin avoids as their currency is also available digitally, which makes it easier to track transactions.

Another big difference between both systems is that unlike Grassroots Economics' main goal, Qoin does not seek to shift debt; it wants to shift profit. Additionally, Grassroots Economics is a non-profit organisation, and although Qoin started as one, it is now a social enterprise. It has managed to break free from relying on donors to being financially supported by the government, which allows it to break even to reach a bigger audience and create more change. Ruth hopes this is a direction Grassroots Economics could move towards in the future.

Are Community Currencies an Alternative Financial System?

Both speakers agreed that what community currencies provide is what the traditional financial system lacks: a social aspect to economic transactions. Roel: "We are not an alternative, we are an add-on... moving towards a more sustainable and social community". Ruth: "We do not see ourselves as an alternative or taking over national currency... We bring a social aspect and we give power to people to take charge of their economic future and development".

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