



# International Journal of Community Currency Research

VOLUME 30 No.1 (2026) 257-269

## DIGITAL SOCIAL CURRENCIES IN THE STATE OF RIO DE JANEIRO AND THEIR DIVERSITY: FROM COMMUNITIES TO CITIES, FROM MICROCREDIT TO BASIC INCOME

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### ABSTRACT:

This article investigates the different translations of Brazilian social currencies in the state of Rio de Janeiro (RJ), with their diversity, potential and challenges. Starting with the pioneering practice of Banco Palmas, in the field of Solidarity Economy, the experiences bring together community and city government based social currencies. The latter, which have recently proliferated in the state, have been boosted by the digitalization of social currencies and have managed to constitute payment infrastructures for basic income and emergency aid. The article points to significant differences between the experiences, highlighting proximities and differences in relation to the principles of the Solidarity Economy.

### KEYWORDS:

Social currencies, Solidarity economy, Basic income, Community development banks, Digital social currencies.

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**To cite this article:** Silva De Faria, A., H. De Souza, A. Oriente and B. Ribeiro (2026). 'Digital social currencies in the state of Rio de Janeiro and their diversity: from communities to cities, from microcredit to basic income' INTERNATIONAL JOURNAL OF COMMUNITY CURRENCY RESEARCH - VOLUME 30 No.1 (2026) 257-269; [www.ijccr.net](http://www.ijccr.net); ISSN 3106-0781; DOI <https://doi.org/10.26034/zh.ijccr.2026.9565>

## 1. INTRODUCTION

This article briefly investigates the different models of management, organization and implementation of local currencies implemented by various municipalities in the state of Rio de Janeiro in Brazil. In recent years, this very state has seen a significant implementation of so-called municipal banks, which are promoted, financed and administered - at least in part - by municipalities that share a common desire to carry out basic income and/or assistance programs for a vulnerable public, using a local means of payment.

The question that motivates us here is to describe the forms of interaction between the public entities and the communities involved, checking whether these schemes follow the principles of Solidarity Economy, i.e. whether they value self-management, proposals for economic democracy, enabling co-participation between communities and government authorities. The point is relevant insofar as the Brazilian Community Development Banks (CDBs), a movement that is at the origins of the municipal banks, have historically placed themselves in the field of Solidarity Economy, having led grassroots struggles and democratic construction, with few records of support from public authorities. In this sense, they are characterized as institutions with strong connotations of democratic, horizontal and solidarity principles.

In order to discuss these issues, we propose the following research question: does the management and implementation models of the public policies of the so-called 'municipal banks' respect Solidarity Economy - democratic, solidarity-based and community - principles? The research methodology developed here is based on reports of experiences in 2023, namely field visits to 6 (six) "municipal banks" in Rio de Janeiro (February, 2023) (detailed on table 01) and an event celebrating the 25th anniversary of Banco Palmas (Fortaleza, Ceará - April, 2023), as well as 10 semi-structured interviews with members of the municipalities (government actors), the teams that operate the social currencies locally (Instituto Edinheiro teams - and Mumbuca Bank, in the case of Maricá City) and the coordination of the Brazilian Network of Community Banks (BNCB)<sup>1</sup>. Regarding the selection criteria for the field visits, it must be stated that these cities were chosen considering relative geographic proximity. They could offer valuable data for an exploratory approach and, also, for a comparative investigation. When it comes to the individuals targeted for the interviews, the authors elected key figures whether related to the history and management of grassroots CDBs, or with government actors involved in the recent wave of municipal banks: usually mid-level bureaucrats who are responsible for bridging the commands coming from the upper hierarchy of the municipalities with the management of day by day distribution of local currency bonuses to the population.

Documentary analysis and a literature review were then carried out, guided by the categories and controversies highlighted during the fieldwork stage. Regarding this aspect, it is worth mentioning that the authors of this study have been involved for years in academic discussion networks about CDBs, dialoguing with the BNCB and participating in the Observatory of Community Banks and Social Currencies (FARIA et al, 2021). Furthermore, they also have access to actors who experience CDBs in practice, such as community leaders and government actors. Therefore, the selection for the literature review is based on previous studies by various "experts" connected within this mentioned network. In addition, access to documentation is also facilitated through this web of contacts. Regarding these documents, we analyzed records listing beneficiaries of local currency payments, establishments involved in CDBs circuits, statistical data on the volume and circulation of currency and credit, as well as informational texts about the general functioning of each experience analyzed here.

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<sup>1</sup> The Brazilian Network of Community Banks is the collective organization of all Community Banks in Brazil. These banks are based on the experience of Banco Palmas – which was founded in 1998 and was the pioneer of this type of organization in Brazil – and employ its methodology, in accordance with the reference terms and conceptual theoretical framework of Community Banks.

Table 1 - 6 (six) "municipal banks" visited in February 2023 (State of Rio de Janeiro).

City	Currency	Start year	Estimated population	Area (km <sup>2</sup> )
Cabo Frio	Itajuru	2021	238438	413449
Iguaba Grande	Caboclinho	2022	29616	50977
Itaboraí	Pedra Bonita	2021	240127	429961
Maricá	Mumbuca	2013	212470	361572
Niterói	Araribóia	2021	516787	133757
Saquarema	Saquá	2022	95315	352130

Source of population and area: <https://www.ibge.gov.br/cidades-e-estados/rj/>

In order to move on to our research question, it is worth noting that, historically, Brazilian capitalism has produced poverty and social exclusion, with its geographical and economic implications. This implies that the modus operandi of our socio-economic structure is the persistence of inequality and precariousness within the logic of accumulation itself (OLIVEIRA, 2003). As a result, disorganized spatial growth is embodied in vast peripheral areas that lack public goods and economic resources for their development. The logic of Santos' (2008) two circuits of the urban economy - a lower one, lacking in organizational techniques and resources considered "modern", and a higher one, marked by the profusion of activities intensive in technology and capital - therefore prevails and characterizes our territorial conformation.

Since the 1990s, this exclusion has taken on special contours in the face of neoliberal globalization, in which deregulated and volatile finances impose an economic, political and social discipline that values austerity, savings and entrepreneurship. From the highest government bureaucracy to the individual worker, the logic of the "entrepreneurial subject" is internalized in society and produces a "new way of the world" (DARDOT & LAVAL, 2016).

In this context, ideas typical of today's financialized capitalism (CHESNAIS, 2005) are propagated by the hegemonic institutions of the global economy - such as the World Bank and the IMF - through the media, educational institutions, the corporate world and political institutions. This is how the neoliberal ideology has trickled down, mainly from the so-called "Washington Consensus" and the actions of the "Chicago Boys" in the Chilean Pinochet dictatorship, which finds it easy to spread to societies marked by the precariousness of work, in which expressions such as "uberization" are the synthesis of the forms of being of work in the 21st century. They are easily confused with a sense of freedom at work, granting an ideal of (pseudo)entrepreneurship to the workers involved (PINHEIRO-MACHADO, 2023; LEITE, 2024). It is in this context that disputes arise over the meaning of finance, poverty and socio-spatial conflicts, in which solidarity finance institutions are inserted: a web of entities that seek to achieve economic sustainability without neglecting their social objectives, the members involved and the local community. Solidarity financial services often include credit for production and consumption, community credit cards, financing for urban and organic agriculture, solidarity exchange clubs, social currencies and community savings accounts - all backed by guarantees based on relationships of trust. In contrast, for example, traditional microcredit institutions operate mainly as a means of carrying out profitable financial transactions (FRANÇA FILHO, SILVA JR, RIGO, 2012).

In the case of Brazil, Community Development Banks (CDBs) have gained prominence as paradigmatic institutions in the solidarity finance ecosystem. These are social organizations that are self-managed by the communities involved, and have historically aimed to maintain local wealth by circulating a currency that is on par with the Real (Brazilian national currency) and only valid in a restricted territory, as well as distributing microcredit at very low interest rates and, in some cases, zero interest rates. In the case of microcredit, based on the solidarity guarantee methodology, the allocation of financial resources is based on the network of trust between the associates involved in the bank's work - usually the neighbourhood, something that gives it an element of proximity, requiring, and possibly also building, networks of social interactions rooted in the territory.

The first CDB to exist in Brazil was Banco Palmas, created in 1998 by the Association of Residents of Conjunto Palmeiras (Asmoconp), in Fortaleza, state of Ceará, Northeast Brazil. Conjunto Palmeiras is a popular housing estate made up of people who had been displaced from the central region of Fortaleza, occupying a location far from access to economic resources and public services. Based on the idea that no neighborhood is poor and that its idle resources have great potential for development, the association, led by Joaquim Melo (co-founder of Banco Palmas and one of the coordinators of BNCB), developed not only the Palmas Bank and its microcredit facilities, but also created the Palma social currency: a local circulating medium that acts, in general terms, as an effective currency, serving to settle commercial and financial transactions with circulation restricted to the neighborhood in question. There is thus a notorious movement towards the institution of a local endogenous development dynamo with a mobilization of human resources (productive, cultural, social, etc.) interconnected by a local and solidarity-based monetary-financial circuit (SOUZA, 2018).

From the experience of Banco Palmas, the CDB methodology spread throughout the country, and today there are around 150 such experiences (PUPO, 2022). Currently, in the state of Rio de Janeiro, there are a variety of experiences with digital currencies inspired by the CDBs that are interconnected with municipal public policies for basic income, constituting what have come to be called Municipal Banks. This story begins with Banco Mumbuca - in the municipality of Maricá - which, with the enactment of Municipal Law No. 2.448 of June 26, 2013, created guidelines for social and productive assistance programs - supported by the municipal budget from oil royalties - and paid out in social currency, thus activating a local circuit of unprecedented proportions.

With the adoption of E-Dinheiro as an electronic payment system - which can be used via cards or cell phones - CDBs now can receive a percentage of the transaction fees as income, and these funds can be directed - among other things - towards microcredit. In this way, the social currency is digitized at the same time as it starts to generate revenue - from local transactions - to finance the CDBs and their credit operations.

Indeed, it is precisely this context that this article critically addresses. The adoption of payment technology, together with the support of municipal governments, has been the focus of debates on CDBs, social currencies and solidarity finance in general. Historically, CDBs have been guided by grassroots social movements, with a strong community, solidarity and horizontal organizational orientation. Would the entry of local governments jeopardize these principles? How are resources managed, organized, distributed and decided upon in this new framework of relations - if any - between public entities and communities? To begin to answer these questions, the article will look at different models of interaction between public authorities and civil society in the running of municipal banks, taking as its object the experiences of various municipalities in the state of Rio de Janeiro. In the following sections, we will develop theoretical arguments about the solidarity economy and then check whether the interaction between municipalities and CDBs follows these principles or whether, on the contrary, there is a risk of establishing top-down policies that could waste the organizational potential of grassroots associations.

## **2. SOCIAL CURRENCIES: SOLIDARITY ECONOMY AND DIGITALIZATION TENSIONS**

According to Singer (2002), the solidarity economy consists of an economic system specially designed to maximize the chances of success for new small entrepreneurs, with solidarity among its members as its main characteristic. According to Farid Eid (2003), on the microeconomic side, the non-capitalist solidarity economy, allied tactically with companies that promote responsibility, can lead to the collective implementation of new economic actors. On the macroeconomic side, as well as promoting an improvement in the quality of life through economic development, it reaffirms the importance of workers' self-management, as an autonomous decision to produce goods and services, and also contributes to the generation and implementation of a new development policy, since, in the long term, the practice of the solidarity economy makes it possible to create a fund of surplus products and provides investment in new enterprises and the reassembly of production chains.

Paul Singer (*ibid.*) highlights practices of solidarity. These can range from a mutual preference for products from one's own sector to actions driven by the entrepreneurs' own subsistence needs; additionally, practices of ethical consumption should be highlighted, given that they involve issues more related to awareness of the individual capacity of human beings to interfere with and modify the environment in which they live.

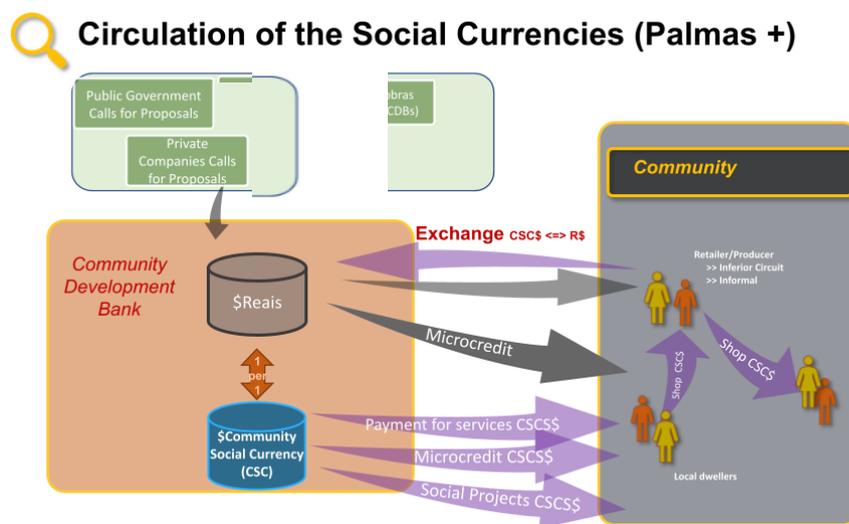
In addition to providing small entrepreneurs with a protected market, the solidarity economy should offer: credit even to those who cannot offer guarantees; training and technological assistance; and encourage the formation of

economic networks that inform and guide, maximizing complementarity between the member units. In short, by breaking down the isolation of small operators, the solidarity economy provides them with favorable conditions for accessing the much-talked-about success. The former can happen more quickly, since the new small entrepreneurs will have a protected market of their own, enabling them to gain the efficiency and credibility they need, and the results will appear in the short term. On the consumer side, the practice of ethical consumption is a long-term change that involves the loss of habits acquired in the mass consumer society of recent decades, which are mainly driven by marketing. The case of CDBs - and other solidarity finance entities - is paradigmatic in this sense: credit and social currency would work as vehicles for valuing the local economy, favoring its producers, as well as enabling an awareness of consumption habits, by valuing economic activities rooted in the locality (PUPO, 2022; SOUZA, 2018; FARIA, 2018).

In short, initiatives within the Solidarity Economy - which CDBs are part of - point to a set of economic activities, organized and carried out in solidarity by workers in a collective and self-managed way. As a result, local knowledge and territories are at the heart of these activities.

Figure 1 expresses the monetary circulation of a CDB in a schematic and simplified way, inspired by the pioneering Banco Palmas. In the case of Rio de Janeiro, we can mention Banco Preventório (Niterói) and Banco Alegrias (Paraty), which are still in operation without relevant partnerships with local governments.

Figure 1 - Schematic example of the circulation of social currencies, inspired by / started with Banco Palmas - adopted by other CDBs ("Palmas +").



As we can see in figure 1, there is a need to raise public or private resources so that a fund can be set up in Reais (Brazilian currency). This can nurture micro-credit lines in Reais, as well as serve as backing for the circulation of a community social currency (i.e. linked to a CDB). In this model, the social currency reaches the community, for example, through payments for services, microcredit or support for social projects. In the community, it circulates primarily among small producers and traders (from the lower circuit, according to Santos (2008), including informal traders). Traders can make withdrawals, i.e. exchange the social currency for Reais, if necessary (FARIA, 2018).

Although there have been experiences of Brazilian social currencies articulated with municipal governments - the cases of Silva Jardim/RJ and Cocais/BA (FARIA et al., 2022) in the first decade of the 21st century - we focus here on the experiences that have taken place since the second decade of this century, which have in common the movement to digitize social currencies, based on the so-called electronic payments legislation (12.865, 2013). In a way, an ally of this movement was the context of the dismantling of federal solidarity economy policies and SENAES (the National Secretariat for Solidarity Economy, an agency of the Ministry of Labor), amid the removal of the Workers' Party from power in 2016. The BNCEB saw digitalization as a promise of financial sustainability for the CDBs, anchored in the small fees allowed by legislation, due to the management of an electronic payment arrangement.

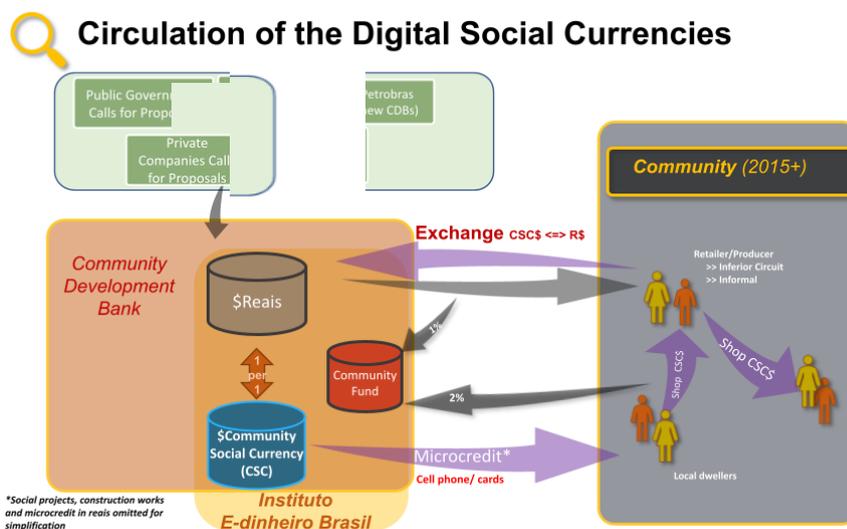
The importance of this process is stated by Joaquim Melo. According to his view, at the beginning of the digitalization process, CDBs would have remained with "the same idea, [only] in different ways". More recently, he states that the governance of the community digital currency platform used (E-Dinheiro) would have become "the most complex issue today" (FARIA et al., 2022). With regard to the implications of digitalization for the practices and principles of CDBs, we can see changes in relation to autonomy, proximity, financial sustainability, community mobilization, mediation and economic democracy (ibid., 2022).

Looking at the first CDB with a significant partnership with a municipal government in the second decade of the century, autonomy was challenged by the dependencies of the Mumbuca CDB (in its early days) - for example, on the local government, Banco Palmas and technology companies and their artifacts. The notion of proximity also faced the difficulties of a new (municipal) scale (partially addressed by the multiplication of bank branches) and the possibilities of control, inserted in a more traceable network (the digital one). Banco Mumbuca's financial sustainability was reinforced with the entrance of the E-dinheiro platform, increasing the bank's financial autonomy (with a percentage of fees remaining with the local CDB). It is also worth noting the relevance of the involvement of young people in the community mobilization of a CDB, especially when using smartphones compared to magnetic cards, as well as the arrival of new actors in the negotiations/mediations necessary to create and maintain a CDB, such as ICT companies, software developers and new technologies (ibid. 2022).

We can also relate the practice of economic democracy to some of the implications of digitalization regarding the governance of social currencies. Here, Faria et al. (2022) point out that new dimensions become important, such as the governance of the requirements of the software used, the data, the source code, the platform in operation and the economic appropriation related to the digital platform. These dimensions of technology can be "governed" in ways that are more or less close to economic democracy and Solidarity Economy, to the extent that, on the one hand, more community-based approaches, or, on the other, more centralized ones are adopted. This approximation to or departure from the solidarity economy, in this sense, can be seen in the involvement (or not) of the actors in the definitions of the software (requirements dimension), the traceability and storage of data, the openness or otherwise of the software's source codes (as well as the network of programmers involved, and dependence on suppliers), access to the digital platform in operation, and, finally, the ways in which the financial resources derived from the circulation fees of the digital social currencies are managed.

Figure 2 shows important differences from the more traditional model of social currency circulation at BNCB (figure 1), namely the possibility of the existence of a "community fund" (made up of the fees mentioned above), and the existence of a new organization, the Instituto E-dinheiro Brasil, a fintech formalized by BNCB to operate its digital social currency platform and supervised by the Central Bank in accordance with current legislation - see a discussion of E-dinheiro platform governance at Faria et.al. (2022).

Figure 2 - Circulation of digital social currencies, with the possibility of "Community Funds", due to fees, allowed by electronic payments legislation (12.865, 2013).



In sum, the figure above exemplifies a circuit where the fees collected from the payment systems (card machines or cell phone devices), when anyone is buying or selling something (i.e. during transactions), could feed a community fund. Managed preferentially by a CDB, these funds would irrigate small businesses, cooperatives or any other solidarity economy venture with some form of microcredit with very low interest rates. This possibility represents a typical grassroots appropriation, when communities could use that money for local demands instead of losing it to big corporations that usually manage those payment systems.

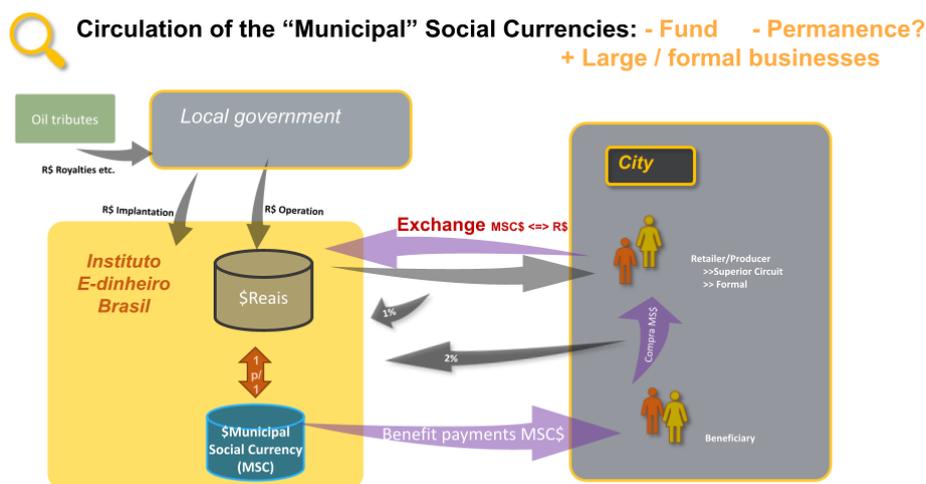
These innovations are fundamental to observing and analyzing the different circulation models of digital social currencies, which we will do next.

### 3 MUNICIPAL BANKS IN RIO DE JANEIRO: DIVERSITY OF MODELS

The first actor to stand out in the network of municipal currencies in Rio de Janeiro (figure 3) are the so-called “government participations”, such as Royalties and taxes from oil exploration off the coast of Rio de Janeiro. Most cities use part of this revenue to fund, at least partially, their income transfer policies. In all cases, the E-dinheiro Brasil Institute, which has a history inseparable from the Brazilian Network of Community Banks (BNCB), is the organization that partners with the city government in implementing public policies.

Figure 3 - Local currency circulation within municipal banks.

The 2 model gathers characteristics of the currencies Caboclinho (Iguaba Grande), Pedra Bonita (Itaboraí), Saquá (Saquarema).



In the model shown in figure 3, we can see that the municipal social currency (MSC\$) enters into circulation (i.e. linked to a municipal bank) by means of a non-refundable benefit payment (unlike most Brazilian CDB experiences, where the social currency enters into circulation via microcredit, as we have seen). The figure also shows the possibility of 1% and 2% fees (charges paid by retailers and producers in the first case, and by who exchanges social currencies for Reals), allowed by the legislation on electronic payment arrangements, being used to remunerate the work of the E-dinheiro Brasil Institute. Thus, in this version of the monetary circuit, we don't see the constitution of a possible local fund supported by the fees.

Finally, the model in figure 3 shows that only formal businesses are eligible to receive social currencies, and that businesses in the upper economic circuit (Santos, 2008; Pupo, 2022) also participate in the network that accepts social currencies. This happens because municipal banks were created by municipal governments, whose main goal is to distribute basic income benefits to the population. Even though such benefits are paid in social currency (to retain monetary circulation in the territories and stimulate the local economy), there are, in principle, no exclusive guidelines for small businesses, cooperatives or other devices within the scope of the solidarity economy.

Figure 4, on the other hand, draws attention to the restriction of the currency's circulation to businesses in the lower economic circuit. In addition, the currency is actually segmented into sub-currencies, with circulation restricted to

a particular neighborhood. Other points worth highlighting in the model in Figure 4 are the existence of a local fund (under the temporary custody of the E-dinheiro Institute), made up of the fees collected, and the fact that the "second flow" of the currency, i.e. the use of the social currency by the merchant, is not taxed.

Figure 4 - Circulation of social currencies within municipal banks, with a local fund and subdivision between neighborhoods. The model gathers characteristics of the currency Itajuru (Cabo Frio).

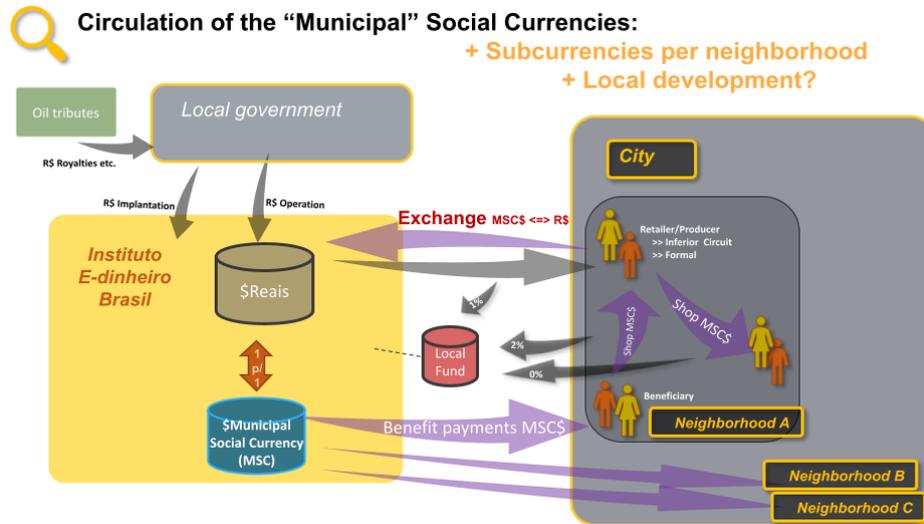
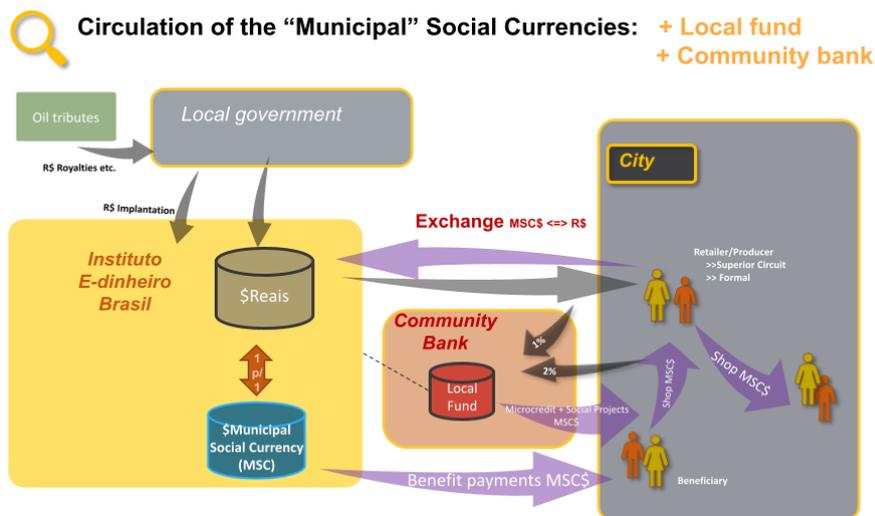


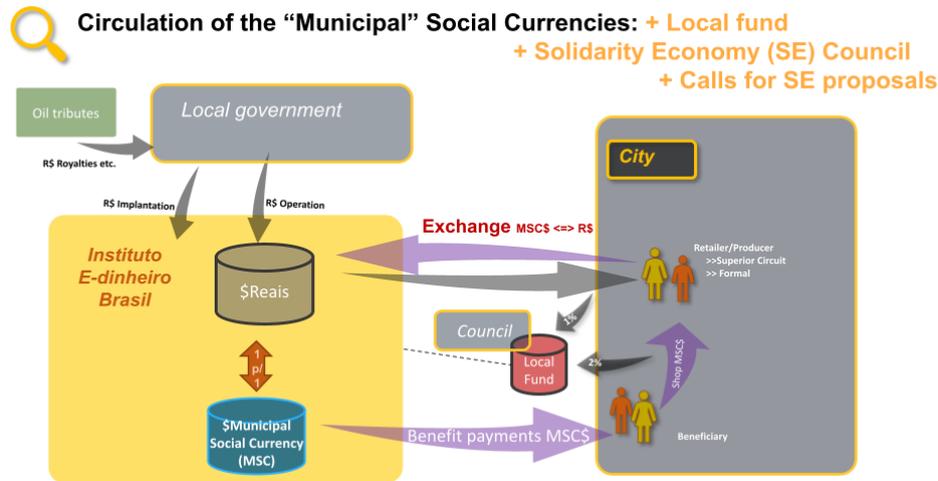
Figure 5 shows a sketch of another possibility for managing the local fund. In this case, the fund is managed by a CDB (or a "municipal community bank"), which is formally independent from the city government and has its own "tax identification number". Thus, in addition to the city government and the E-Dinheiro Institute, the model shows a third legal figure, the CDB, which defines the ways in which the local fund is used, such as micro-credit lines and non-reimbursable support for local initiatives (such as social projects, events, local sportspeople, etc.).

Figure 5 - Circulation of social currency: fund managed by "municipal community bank". The model gathers characteristics of the currency Mumbuca (Maricá).



Finally, the next model we detected on the basis of our field visits (figure 6) basically points to another possibility for managing the local fund. In this case, a local solidarity economy council, made up of the municipality and civil society, is responsible for deciding how the funds are used. In the example we found, the fund was used to finance calls for proposals launched by the city council to support solidarity economy ventures.

Figure 6 - Circulation of social currency to raise funds for the solidarity economy. The model gathers characteristics of the currency Arariboia (Niterói).



4. DISCUSSING APPROACHES AND DEPARTURES FROM THE SOLIDARITY ECONOMY

Returning to our research question, "Does the management and implementation model for the public policies of 'municipal banks' respect democratic, solidarity-based and community principles?", it is worth first acknowledging that the field research showed us not just one management model, but a relative diversity of institutional arrangements. These arrangements differ from one another in a number of ways (table 2), which we will comment on below, seeking to engage in a dialog with the references initially raised in this paper.

Table 2 - Models proposed in section 3, cities and currencies related, and its main characteristics

Models	Cities related	Currencies related	Main characteristics
Figure 3	Iguaba Grande / Itaboraí / Saquarema	Caboclinho / Pedra Bonita / Saquá	No community fund Less permanence? (risk) Large / Formal businesses
Figure 4	Cabo Frio	Itajuru	Subcurrencies per neighborhood More local development? (possibility)
Figure 5	Maricá	Mumbuca	Local fund Community bank
Figure 6	Niterói	Araribóia	Local fund Solidarity Economy (SE) Council Calls for SE proposals

The first difference concerns the possibilities for managing the local fund, which is made up mainly of fees related to the circulation of social currency. In this sense, three options presented themselves: the first and most consolidated, the administration of the fund by a municipal community bank, a model adopted at the time of the field research in the city of Maricá. That is to say, here we consider Banco Mumbuca to be a bank that is born out of the initiative of Maricá city government, but which acquires relative formal autonomy, being an independent organization, with operational autonomy, dialoguing with the population, for example, in the granting of credit (the "cirandas de crédito") - hence our use of the nomenclature municipal community bank. Here, there is relative autonomy for the use of the fund to support the solidarity economy (via microcredit) and the structure of the bank (which has, for example, acquired its own headquarters), and an interesting configuration in terms of the continuity

of the project, in the event, for example, of a change of government due to elections. It's worth noting, however, that the case of Maricá shows that this institutional autonomy took time: the currency began in 2013, while the bank was formalized as an independent organization in 2018. It is also worth mentioning that this model has been questioned by public policy oversight bodies in recent years (a process not analyzed in this article), which has led to a halt in the collection of fees.

A second model involves the fund being administered by a municipal solidarity economy council (in the case of the municipality of Niterói), with the participation of the mayor's office. This type of arrangement has so far resulted in the production of three public calls for proposals, offering a total of R\$6 million (around €1 million) in support to the solidarity economy movement in Niterói. It is a model that has quickly offered a return to local solidarity economy enterprises (the bank started in 2021), but which nevertheless maintains a strong local government involvement in the use of the fund - a potential risk to its sustainability in the event of a change in government guidelines (despite the existence of municipal legislation on the subject).

Still analyzing the local funds, we found a model in which the fees were used as a form of payment from the municipality to the E-Dinheiro Institute - the case of the municipality of Saquarema, for example, at the time of data collection for this research. This model points, on the one hand, to a risk to the continuity of the project, for example in the event of a change of government due to elections - a case that has already occurred, for example, in the municipality of Silva Jardim (FARIAS, 2022) - insofar as there is no "financial legacy" that points to the perpetuity of the initiative. On the other hand, the arrangement seems to offer little return in the form of promoting the local solidarity economy movement.

A second important difference between the models refers to the possibilities for *circulating municipal social* currency. The most commonly adopted model points to a "single" municipal social currency in the municipality, bringing with it the benefits of boosting the municipality's economy. However, as some studies have pointed out (FARIA et. al., 2019), one risk of this model is the centralization of currency use in certain areas and/or types of businesses. This risk is increased if the social currency is accepted by large businesses or enterprises in the upper economic circuit (SANTOS, 2008).

A counterpoint to this model can be seen in the initial steps of the Itajuru currency in the municipality of Cabo Frio. There, the currency has been implemented progressively, one community / geographical region after another, so that we find "sub-currencies" (on the E-dinheiro platform, "Itajuru 1", "Itajuru 2", "Itajuru 3" and so on). Furthermore, at the time the data was collected, the currency circulated only in the small businesses of each region, or in the lower circuit of the economy, in the words of Milton Santos (2008). This arrangement, according to one of the coordinators of the CDB Network, in a way brings back the origins of CDBs and is potentially a vector for local development that is less concentrated than the municipal "single currency" model described above.

There are *also two* challenges that stand out in the process of the emergence of social currencies and municipal banks. The first is in cases where the local government implements a *municipal social currency in a territory where there is already a community social currency experience* (the case of Niterói). There, we observed a challenge in the dialogue between the "city government" (represented by the Araribóia Municipal Bank) and the community (present in the Preventório Bank). Although the public statements made by their representatives point to a desire for mutual collaboration, the fact is that in practice no relevant partnership had been consolidated between them by the time the data for this research was collected. City government representatives claim that it would be difficult for a solidarity economy entity (in this case Banco Preventório) to operate the Araribóia currency and earn income from its circulation, since all solidarity economy collectives (according to this view) should have equal opportunities to benefit. The possibility of a "partnership" on the table at the time of writing this article was the participation of Banco Preventório as one of the competing solidarity economy ventures in the above-mentioned call: Banco Preventório obtained some financial support in the second call for proposals.

Finally, the Brazilian Network of CDBs and the E-Dinheiro Institute face the challenge of *very different scales when comparing the two experiences (community banks/community social currencies and municipal banks/municipal social currencies)*. The challenge/opportunity for both experiences to remain reasonably cohesive and integrated into the same network is, in the view of these authors, proposals such as the one made by the Observatory of Community Banks and Social Currencies (an organization in which the authors of this paper participate) to the BNCB (figure 7).

Figure 7 - Financing CDBs with the financial resources extracted from the circulation of municipal currencies



In the figure, part of the revenue obtained from the circulation of municipal currencies would be used to irrigate CDBs. The proposal thus suggests a fund for CDBs, made up of part of the fees and partnerships between the E-dinheiro Institute and the municipalities, with a view to strengthening the link between community social currencies and municipal social currencies (PUPO et al, 2022).

## 5. CONCLUSIONS

In this article, we start by asking whether the management and implementation model of the public policies of the so-called 'municipal banks' in the state of Rio de Janeiro respects the assumptions of Solidarity Economy, given that this model was inspired by CDBs and the BNCB, experiences that are notably part of the Solidarity Economy field. Initially, we characterized the Brazilian context in which the solidarity economy, solidarity finance and, more specifically, CDBs emerged, along with their proposals for social currencies and microcredit.

After characterizing the solidarity economy and the monetary circulation of CDBs in a little more detail (inspired by the pioneering experience of Banco Palmas), we describe the process of digitizing the social currencies of the BNCB, with its strengths and challenges, which led to the emergence of "municipal banks" on a large scale. We then go on to describe the different models for circulating municipal social currencies, differentiating them in terms of the way the currency comes into circulation, the existence and management of the local fund, the type of producers and traders belonging to the circuit and the geographical boundaries of the circulation of the currencies.

When analyzing circulation models, we noted the diversity of models found. With regard to the *local fund*, we draw attention to the risk to the sustainability of the projects in the absence of a fund, and to the existence of two models that are in line with strengthening Solidarity Economy in their respective regions: one under the management of a municipal community bank, which uses the fund, for example, for micro-credit in social currency and to promote Solidarity Economy (but which has taken some time to mature); the other under the management of a council with representatives from civil society and the local government, which has managed to support Solidarity Economy ventures with reasonable agility through calls for proposals (but which has nevertheless experienced difficulties in partnering with the local CDB).

As for the *possibilities of currency circulation*, we identified a majority model that adopts a single currency for the whole municipality and includes producers and traders from the upper economic circuit, and a model that implements different currencies within the municipality and favors the lower circuit, a priori more inclined to Solidarity Economy and seeking a more equitable development between the regions of the municipality.

With the prominence of the experiences of municipal social banks and currencies, we also point out the *risks to their cohesion with community social banks and currencies*, insofar as the former have relatively few resources and their implementation process is different from the historical experience of the CDBs. At this point, we note that our proposal that part of the income from the municipal banks' experiences (whether accumulated in the municipal

funds or earned by the E-Dinheiro Institute) could be used to partially finance the CDBs (or "root banks", as they have been called).

We see this research as an initial effort, which should be continued and expanded, for example, by following the developments of the "sub-currencies", the circulation of the currencies in their different models and impacts, the (dis)connections between municipal and CDBs, the continuity of the experiences after the 2024 municipal elections, the legal controversies over the existence and collection of fees, as well as the progress of the federal bill that seeks to regulate social currencies in Brazil.

In any case, with this article we have mapped out possibilities for bringing municipal banks closer together and risks of them moving away from solidarity economy values and practices, with community participation and empowerment. We believe that the text thus contributes to the debate on synergies between themes such as basic income and solidarity economy, justified by the possibilities that such public policies and social movements can offer for local development, especially when government actions are incorporated into community organizations, enabling co-participation in the use of common resources.

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