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# Complementary options to development of underdevelopment: Lessons from the use of community currencies in Kenya

## Introduction

Governments and non-governmental organizations around the world have embraced community or complementary currencies (CCs) as tools of poverty reduction, environmental protection and promotion of social solidarity. Community Currencies are best viewed as a financial innovation to assist local-level development and are seen as a new age poverty-reduction strategy. Popular CCs include: FureaiKippu (Japan), Red De Turque (Argentina), Ithaca Hours (United States), Bristol Pounds (United Kingdom) and Chiemgauer (Germany).

Community currencies have been particularly useful as complementary to the National currency, especially when the poor are experiencing cash shortages during the cash-strapped period of the month (mid-month to end-month) but they still have goods and services to exchange. When CCs were introduced in Kenya, there was no explicit or implicit policy stance regarding their use.

This led to a misunderstanding on their use and compatibility to the Kenyan shilling both at the national and county levels. In fact, upon the first launch of Bangla-Pesa (BP), a CC in Bangladesh slum, in Mombasa, the Kenyan government reacted by arresting the founders on allegations that they were allied to the Mombasa Republican Council (MRC), a coastal secessionist group. Several months of judicial turmoil followed.

However, the BP founders were able to demonstrate the legitimacy of the currency, and the court gave a favourable ruling.

After this inauspicious start, Bangla-Pesa was reintroduced in November 2013 with the support of local government officials.

Upon the re-launch, CCs in Kenyan slums have had very high usage without government support, financial incentives or high levels education. This policy brief explains the high level of adoption of CCs observed in one of Kenya's informal settlements.

The study considered various determinants of usage that are seen as important in the literature including: government support; characteristics of users; economic incentives; presence of a closed economy and networks in the diffusion of information. The study discounted the first four determinants as they were not relevant to the context in Bangladesh slum and thus narrowed down on the role of networks as the key determinant of acceptability and usage of BP.

Specifically, the study sought to understand how the type, size, and number of networks affect the diffusion of information about BP and how this subsequently affects acceptability and usage.

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Building on the literature, our conceptualization showed that networks encourage adoption of CCs by providing spaces of exchange, spaces of information sharing and spaces of belonging. Existing social networks create exchange networks that members capitalize on to begin trading using CCs. CC networks grow when they are embedded in already existing social networks since they generate trust in economic relations. More so, both strong and weak networks play a key role in information gathering by members about new opportunities. Pre-existing networks bring people together to share philosophical ideas and communication within networks is essential for the spreading of new ideas. Networks also serve as spaces of belonging and people join CC networks due to the desire to belong and be in social solidarity within their neighborhoods

## Data Sources

The study used mixed methods approach, combined qualitative (key informant interviews and interviews using open-ended survey questions) and quantitative (survey) research methods. The study was carried out in the Bangladesh slum in Mombasa, which is home to the most active community currency in Kenya. Data was collected in 2014 and both users and non-users of Bangla-Pesa were interviewed. A total of 85 respondents were interviewed in the survey. The data was collected from 60 users, 25 non-users and 13 key informants. The total number of businesses in Bangladesh slum is 300, of which 200 (around 66%) use Bangla-Pesa. The business sample size for this study was 60 businesses that use the currency and 30 businesses that do not use it. This represented 30% of each of the populations. The key informants included officials of Bangla-Pesa as well as other CCs in other informal settlements in Nairobi, such as GatinaPesa in Gatina-Kawangware and LindiPesa in Kibera as well as government officials.

## Findings

Community currencies have proved to be an important tool for poverty alleviation within geographically specific locations. The Bangla-Pesa experienced a high rate of adoption within the slum, despite having no government backing. Other scholars such as have emphasized that pre-existing social and exchange networks are essential for CCs to take off (North 2014; Gómez, 2008). The data collected collaborates these findings but then goes further into a more nuanced understanding of networks.

## Summary characteristics of respondents

Among our sample of users, 60% were women while 60% of the non-users were men. Half of users had a primary school education or below, and the other half had an education level beyond primary school. Education levels thus did not appear to make a difference to the level of adoption. However, a key difference we found between BP users and non-users is that users belonged to more networks. BP users had an average of four networks while non-users had an average of 2 networks. People who belong to more networks were more likely to become users of the BP because they received more information about the currency and were also put under pressure to use it from more networks. 75% of people who belonged to only one network said they had never discussed the BP, while 100% of the people belonging to between seven and nine networks said they had discussed the BP in their networks. Therefore, the number of networks was a determinant on whether an individual will ever hear about and discuss the BP.

We further investigated the levels of trust of our respondents. When asked whether they consider themselves to be 'very trusting', 'trusting', 'not trusting' or 'not trusting at all', 92% of BP users responded either 'very trusting' or 'trusting'. The question of trust was very important because trust is an important ingredient in constructing strong networks. In fact, large networks of more than 50 members had loose ties among their members. The levels of trust were low and therefore did not influence adoption of the BP. Although they were less significant in shaping peoples' decisions, these large networks met regularly and were key sources of information about the BP. While large networks served as the first points of information, small networks of less than 50 members served as the points of decision-making. The BP users belonged to a mix of both large and small networks while the non-users belonged mainly to smaller networks. The small networks – especially self-help networks– had the ability to marshal all their members to either use or not use the BP. Thus both large and small networks were important for adoption of BP.

## Number, size and type of networks

We then investigated the types of networks that our respondents belonged to. BP users had varied levels of trust within different types of networks, and they therefore had differential effects on the adoption of community currencies. Self-help networks, which seek to advance the economic status of their members, were the most trusted among BP users, with 60% of users saying they trusted their self-help networks. Self-help networks were trusted because members had formed friendships over long time (some even for 20 years); had financial accountability and transparency; and had received help from the group when they were at the lowest points of their lives. 92% of our users belonged to at least one self-help network.

BP constantly featured as a top agenda item for self-help networks because the currency was seen as a means to empower small businesses. Self-help networks were dominated by the local elite's community leaders in the slum who acted as opinion-shapers within the slum and encouraged their members to adopt the BP. 73% of users had discussed the BP in their self-help network. 85% of BP users belonged to at least one religious network.

Religious networks cut across different social, political and economic classes and were useful in spreading information about the BP across the divide. However, church's connections were weak and members did not know each other well enough on a personal level to discuss money matters in detail.

80% of BP users also belonged to at least one altruistic network. We found that while altruistic networks and religious networks were important sources of information about the BP, it was self-help networks that were most influential in encouraging people to adopt the currency.

37% of users trusted their altruistic network, and 8% trusted their religious network. 68% of users on our sample had discussed the BP within their altruistic network. Only 11% of BP users belonged to one or more social support networks while none of the non-users in our sample belonged to social support groups. Only 5% of our users trusted their social support network, probably due to the stigma attached to some of the problems that social support networks are trying to alleviate. These differing levels of trust across types of network determine which is most influential in encouraging its members to adopt usage of the BP. Social support networks were not very significant in terms of either disseminating information on the BP or determining adoption, with only 5% of BP users indicating that they had discussed the BP within their social support network. These findings are summarised in the table below.

**Table 1: Networks: Differences between BP users and non-users**

	BP users	Non-users
Number of networks	Many networks –average 4	No networks or few networks—average 2
High trust levels (%)	91	52
Size of networks	Large and small networks	Small networks
Type of networks	Self-help networks Altruistic networks Religious networks Social support networks	Self-help networks Altruistic networks Religious networks
Most important network	Self-help networks Altruistic networks	Altruistic networks Religious networks
Connection to the social system	Well connected Opinion-shapers	Isolated
Level of information	Well informed	Uninformed
Source of information	Friends, neighbours, customers	Media
Discussions on BP	62% of respondents discussed BP in their networks	76% of respondents have never discussed BP in their networks

## Conclusion

The study therefore concludes that it was not the existence of networks per se that is important in explaining adoption. Rather, it was the type of networks, the size of the networks (i.e. the number of members), and the number of networks individuals belonged to that were more important in determining usage of the BP.

While users and non-users in Bangladesh Slum belonged to networks, there were significant differences in the types, numbers and sizes of the networks that users and non-users belonged to.

BP users were in more networks than non-users, and these networks were both large and small; non-users belonged only to small networks. We show that large and small networks play different roles - large networks are spreading information on the CC and small networks promote the decision to adopt.

## Policy directions for CC practitioners

### To enhance usage of CC in Kenya, this study recommends that:

- CC practitioners such as Community Based Organizations, researchers, activists and experts should penetrate small networks, which are isolated but key decision making points especially in informal settlements.
- CCs should be tailored to be introduced with the most popular and most trusted networks within a community and messages should be carefully tailored to capture various interest groups.
- CCs should be tailored along goals and objectives of existing influential networks in order to improve their adoption in informal sector.

## Policy directions for government

- Governments should consider developing a framework to guide policy making and legislation on the use of CCs in developing countries because they can be useful in solving persistent development problems particularly in urban slum environments where formal employment is scarce.
- Governments ought to embrace CCs as a sustainable development tool and use existing networks to encourage their adoption.

Developed countries such as US, UK, Japan and Germany were among the pioneers of CCs, particularly in times of post war reconstruction. Since then, governments of developing countries, especially in Latin America, have embraced community currencies to solve societal problems such as insecurity, waste collection, environmental pollution and even elderly care.

In Africa, only Kenya and South Africa have operational community currencies. Kenya can therefore establish a policy precedence to guide the introduction and operation of complementary currencies in Africa. There should be a recognition that CCs as the name suggests are complementary to national currencies and some form of government legitimacy can help adoption.

CCs can have an impact on geographic specific poverty alleviation but they can only have a sustained impact on communities if they are part of a broader programme of development including sustained focus on food, health and employment creation informal settlements.



### This research brief is a summary of Journal article:

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