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The increasing circulation of the Mumbuca social currency in Maricá, 2018-2020¹

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In 2013, the city of Maricá (RJ) created the Solidarity Economy Program through Law No. 2.448/2013 (Maricá, 2013). The Program seeks to stimulate the city's development through local production and tackle poverty and inequality through income cash transfers (Pereira *et al.*, 2020). The same law created the Mumbuca Bank and the mumbuca, a local and digital currency which can be used only within the city. The creation of this currency is considered the city's first step in addressing its structural problems. Maricá is confronted by challenges such as limited local production and difficulty in job creation (mainly formal employment opportunities). Moreover, since it is a bedroom community, part of the income generated by its residents does not remain in the city.

The Mumbuca Bank is a municipal community bank, which serves the entire city - i.e. its services are not limited to a neighborhood or locality. It is a government initiative aimed at supporting municipal policies, and it is assisted by the Mayor's Office in terms of managing, financing and organizing the bank (Pereira *et al.*, 2020). The Mumbuca Bank issues the mumbuca, which has a one-to-one equivalence with Brazil's official currency, the *real* (plural *reais*). Most of the issuing of mumbucas comes from the payment of welfare benefits. Between 2018 and 2020, the Citizens' Basic Income program (RBC, *Renda Básica de Cidadania* in Portuguese) and the Worker Support Program (PAT, *Programa de Amparo ao Trabalhador* in Portuguese) were the two main cash transfer programs paid in mumbuca. The Mayor's Office deposits the amount of the benefit in the Mumbuca Bank and provides the bank with the list of beneficiaries, and the bank transfers each payment.

The RBC program is an individual and unconditional income cash transfer created by Law No. 2869/2019 (Maricá, 2019) which benefits more than 42 thousand individuals.⁴ To be eligible, individuals must have lived in Maricá for at least three years and be registered in the *Cadastro Único*⁵ (Pereira *et al.*, 2020). In April 2020, the value of the benefit increased from 130 to 300

¹ A Portuguese version of this work was first published in the Boletim Finde n. 05 - it can be found [here](#). This work was developed within the scope of the research project Maricá Basic Income Evaluation, carried out by the Fluminense Federal University in partnership with researchers from the Jain Family Institute (visit the research website: <https://www.maricabasicincome.com>). We would like to thank the Mumbuca Bank for providing the data used in this research and for the bank's team willingness in providing us with all kinds of clarifications. This work presents information that was collected by our research team in qualitative interviews with city leaders involved in different aspects of the creation and implementation of the Citizen's Basic Income Program, of Mumbuca Bank and the mumbuca currency. We thank Fábio Waltenberg, Fernando Freitas and Paul Katz, members of our research team, for their detailed revision and comments. Finally, we would like to thank the participants of the XI CEDE International Seminar (2021) and the Research Group on Financial Activity and Development (FINDE-UFF), especially Paula Sarno, Lilian Kotviski Fiala, Fernando Teixeira and Professor Milford Bateman.

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⁴ The program was created in 2019 with the merger of other municipal cash transfers programs. For more details on the evolution of income transfer policies in the municipality of Maricá, see Pereira et al. (2020).

⁵ Brazil's unified federal database for social benefits.

mumbucas as part of the measures taken by the city in response to the Covid-19 pandemic crisis.

These measures also included the creation of the Worker Support Program (PAT) (Auxílio, 2020). The PAT benefited self-employed, micro-entrepreneurs and workers with informal jobs, with a monthly payment in mumbuca equivalent to Brazil's monthly minimum wage (R\$1045). To be eligible, individuals had to live in Maricá, have a household family income of up to R\$5,000 and have evidence that their professional activities had been affected by the pandemic. Unlike the RBC recipients, PAT beneficiaries do not get a mumbuca card, they can only use the mumbuca currency through a dedicated app (Auxílio, 2020). The PAT payment and the 300 mumbucas of RBC will be in place at least until August 2021 (Prefeitura, 2021).

In 2018, the mumbuca joined the E-dinheiro platform of the Brazilian Network of Community Banks (Pereira *et al.*, 2020). Thereafter any resident of Maricá was able to open an account at the Mumbuca Bank and effect transactions in mumbucas (Instituto E-dinheiro Maricá, c2021a). From the point of view of companies, the E-dinheiro system facilitated the adoption of mumbuca as a payment unit and registration at the bank became easier. From 2013 to 2017, businesses that accepted mumbucas, received in their commercial bank account the amount in reais for purchases made in mumbuca thirty days after the transaction took place. With the E-dinheiro system, the amount transacted at businesses becomes immediately available in their accounts at the Mumbuca Bank. Nowadays, businesses that accept mumbuca range from large supermarket chains to small individual entrepreneurs - formal and informal. In addition, a few companies and institutions, such as the Mumbuca Bank itself, have adopted the mumbuca to pay monthly salaries.

The Mumbuca Bank's account holders can effect various transactions, such as purchasing goods and services, paying utility bills and conducting bank transfers. Transactions can be carried out via mobile app, or via card for those users who have one. Conversion from mumbucas to reais can be done through withdrawals or bank transfers to commercial bank accounts. Since 2018, businesses that accept payment in mumbucas pay a 2% fee per sale. The amount generated by this fee feeds the Mumbuca Bank Fund (Pereira *et al.*, 2020), which finances its social activities and credit lines. The nine credit lines granted by the bank are divided into productive credit lines and housing credit lines, which finance small renovations and home repairs (Instituto E-dinheiro Maricá, c2021b).

Another fee charged by the bank is a 1% mumbuca-real conversion fee, charged to businesses and account holders. RBC beneficiaries cannot convert their mumbucas to reais and PAT beneficiaries can do so at no cost. Those who receive their wages and employment benefits in mumbucas also do not have to pay the conversion fee. If businesses convert mumbucas to reais between the first and fifth day of each month they can do so free of charge (Instituto E-dinheiro Maricá, c2021a).

Overview of the use of mumbuca by RBC and PAT recipients and other bank account holders

Our data was provided by the Mumbuca Bank and takes into consideration the following information:

- i) all banking transactions between February 2018 and August 2020;

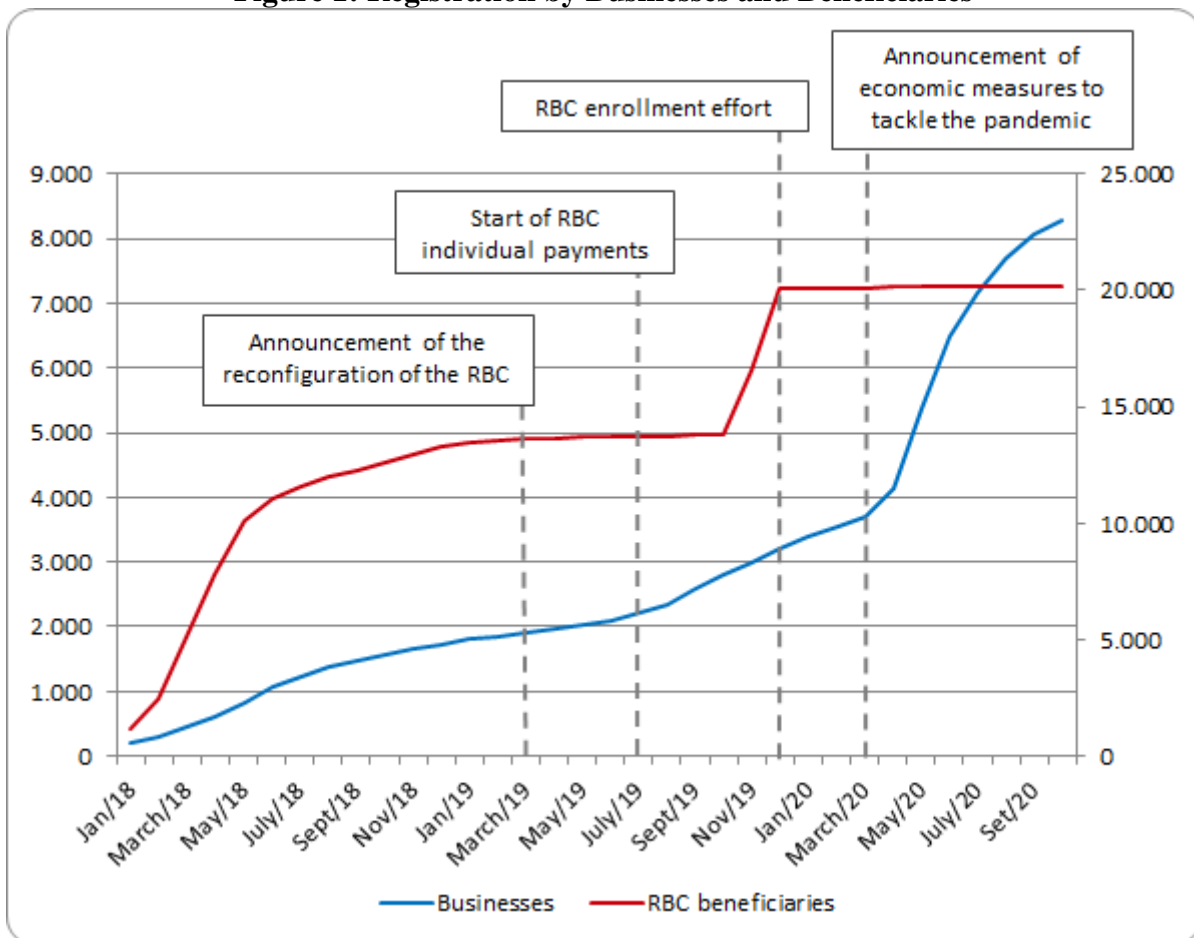
ii) an updated list from October 2020 of businesses registered to receive payments in mumbucas and

iii) information on the accounts of the beneficiaries of the RBC and PAT programs.

We have excluded chargeback transactions and payments associated with them since they involve purchases or bank transfers that were not completed and therefore do not constitute currency circulation.

The starting point of the mumbuca circulation is the payment of cash transfer benefits to recipients - this is the main source from which mumbucas are issued. It is also currently possible for individuals or businesses to make deposits at the Mumbuca Bank, converting reais to mumbucas (Melo, 2020). Nevertheless, between 2018 and 2020 only a small percentage of mumbuca in circulation came from the conversion of reais to mumbucas by bank account holders. While the registration of businesses is carried out directly at the bank, beneficiaries can only open their benefit accounts after enrolling in the program at the Secretariat for Solidarity Economy.

Figure 1: Registration by Businesses and Beneficiaries



Source: Mumbuca Bank data (2018-2020).

Note: The left axis represents the businesses (blue line), and the right axis represents the beneficiaries of the RBC (red line). The unit used in the RBC beneficiary figure refers to households because, despite the fact that it is an individual benefit, each household receives all its benefits on a single card.

Figure 1 illustrates the registration of businesses and the opening of accounts by beneficiaries. Since the registration of beneficiaries is linked to decisions made by the Secretariat for Solidarity Economy, it is difficult to interpret this data from the perspective of individuals' choices. In 2018, the payment of benefits migrated to the E-dinheiro system, which explains the rapid increase in accounts opened throughout that year. Until mid-2018, the Secretariat for Solidarity Economy focused on systematizing and updating the registration of programs in place at the time. Therefore, a new registration campaign was only launched by the end of that same year.

With the creation of the RBC in June 2019 (Maricá, 2019), the Secretariat for Solidarity Economy initiated the process of migrating beneficiaries of previous programs to the RBC program. Until November of that year, registration for the RBC was only open to individuals living in extreme vulnerability. The number of beneficiaries increased considerably between November and December 2019 during a major enrollment effort, in which nearly six thousand households (and more than twenty thousand individuals) were registered in the program.

Businesses have two inducements for registering at the Mumbuca Bank. First, the adoption of the E-dinheiro platform in 2018 simplified the registration process at the bank. Second, with the creation of the RBC, the benefit becomes individual, increasing the amount of mumbucas in circulation. For example, a family of four enrolled in the previous cash transfer programs went from receiving 130 to receiving 520 mumbucas. Thus, from May to August 2019, with the announcement of the reconfiguration and launching of the RBC payments, the speed of business registration escalated. In general, the trend of business registration follows that of beneficiary registration, with a delay of a few months (a small shift to the right of the blue line in relation to the red line on the figure).

Between March and October 2020, the number of registered businesses more than doubled, going from 3,705 to 8,276. Two actions implemented by the city government are important to understand this increase: massive enrollment in the RBC program at the end of 2019, and the measures for economic protection aimed at tackling the effects of the pandemic, which initiated payments in April. The COVID-19 measures not only increased the amount of RBC benefits, but also introduced 20,627 PAT beneficiaries into the Maricá economy, which increased the volume of mumbucas in circulation and, consequently, consumption in mumbucas.

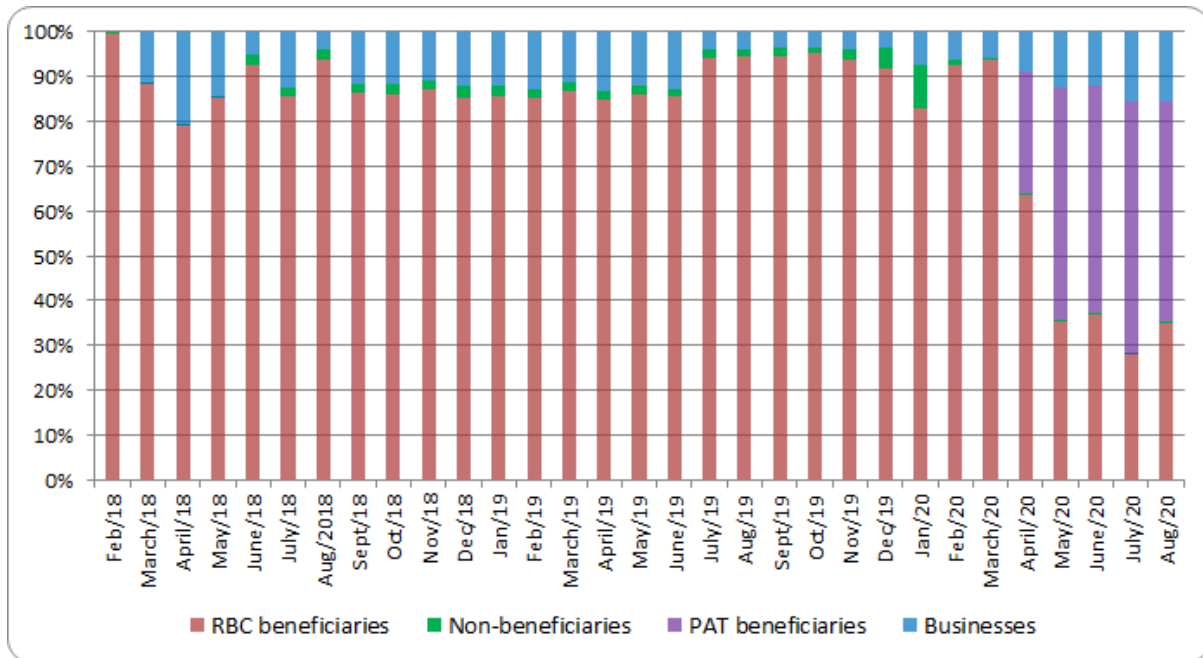
In the period from February 2018 to August 2020, the equivalent of R\$244 million in mumbucas was transacted, 71% of which occurred between April and August 2020. Throughout the period, most of the resources spent in mumbucas were used for the purchase of goods and services in the city, potentially stimulating the Maricá economy. 63% of the total volume of payments made in mumbucas was for the purchase of goods and services, 19% and 17% went to bank transfers and payments of utility bills.

As discussed above, the starting point for issuing mumbucas is the payment of income cash transfers by the city government. Thus, it is expected that the agents responsible for the largest portion of transactions in mumbucas are these beneficiaries. This can be seen in Figure 2, in which we can observe that RBC and PAT beneficiaries handle around 90% of mumbucas in circulation throughout the period analyzed. Between April and August 2020, PAT beneficiaries were responsible for approximately 49% of the volume of mumbucas transacted, surpassing the share transacted by RBC beneficiaries. One explanation for this is that PAT benefits are higher (one monthly minimum wage, R\$1045) than that of the RBC program (300 mumbucas).

However, unlike RBC beneficiaries, PAT beneficiaries can convert mumbucas to reais - 6% use their accounts at the Mumbuca Bank exclusively for this purpose. Even so, only 13% of

the total amount granted by the city for this benefit was converted from mumbucas to reais. Thus, PAT beneficiaries used 79% of the resources granted by the city government to consume with mumbucas in the city. The low conversion rate of mumbucas to real and the large share of PAT beneficiaries in the volume of mumbucas transacted suggest a good acceptance of the social currency by these individuals.

Figure 2: Transaction volume by account type



Source: Mumbuca Bank data (2018-2020).

Note: The transactions considered in the figure are: payments of utility bills, purchases of goods and services and bank transfers.

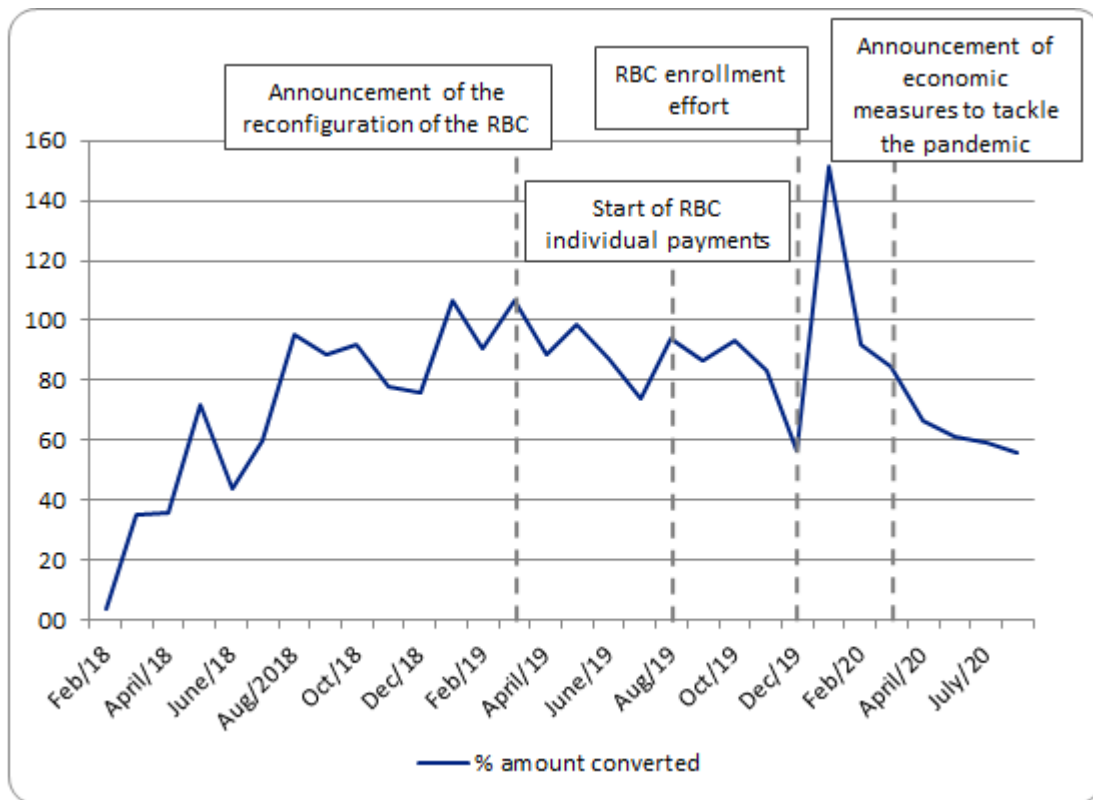
The 6,447 E-dinheiro accounts of non-beneficiaries include regular checking accounts, salary accounts and accounts of the city’s employees, where they receive their Christmas bonus. The participation of this type of user in the total volume of transacted mumbucas was not very significant throughout the entire period, especially after March 2020.

Overview of the use of the mumbuca currency by registered businesses

Out of the 8,276 businesses registered at the Mumbuca Bank, 6,041 (73%) received payment in mumbucas for at least one transaction in the analyzed period. Of these, 4,062 (67%) carried out payment transactions in mumbucas - that is, they used the local currency for their own purchases, payments of utility bills or bank transfers. Over the period, the share of businesses’ participation in the volume of mumbucas transacted fluctuated - yet, from March 2020 forward, it is possible to see an upward trend. This can be explained both by the increase in number of businesses that accept mumbucas (more opportunities for consumption), and by the increase in resources available to be used in mumbucas by businesses with the reconfiguration of the RBC and the inclusion of PAT beneficiaries (greater volume available for consumption). In March 2020, businesses used 620,000 mumbucas, and in the following month their expenses in mumbucas was approximately 1.9 million mumbucas, reaching 7 million mumbucas by July of that same year.

It is also possible to explore the use of mumbucas by businesses by observing the conversion data from mumbucas to reais in Figure 3. Of the 6,041 businesses that received revenue in mumbucas in the analyzed period, 4,041 (67%) effected conversions from mumbucas to reais - and 1,547 (26%) used their account at Mumbuca Bank exclusively for this purpose. One possible explanation for this is that large businesses with a branch in Maricá that accept the local currency, such as supermarkets, have no incentive to consume in mumbuca. On the other hand, 1,568 (26%) use their accounts exclusively to effect payments in mumbucas.

Figure 3: Businesses - proportion of revenue and conversion from mumbucas to reais



Source: Mumbuca Bank data (2018-2020).

Note: The month of June 2020 was removed from the series since there were no mumbuca conversion operations that month.

Since the announcement of the RBC in May and the individual payments in mumbucas to beneficiaries in August 2019, it is possible to see a downward trend in the conversion of mumbucas to reais. The valley in December 2019 and the peak in January 2020 are probably due to the early payment of RBC benefits in December, which increased consumption in mumbucas in December and which would be converted into reais in January. This downward trend is even more visible in the months after the city government implemented measures to tackle the Covid-19 pandemic, when more mumbucas went into circulation in Maricá.

The average conversion of mumbucas to reais by businesses is 59%, that is, 41% of the revenue collected by businesses in mumbucas may possibly then be spent at other businesses in Maricá. The consumption in mumbucas carried out by businesses indicates the growing acceptance, use and circulation of the currency in Maricá. This process began in 2018, with broader and easier access to the use of the mumbuca currency and with the adoption of the mumbuca by more businesses.

Between 2013 and 2017, the use of mumbucas was restricted to beneficiaries of the city's cash transfer programs and was accepted by a limited number of grocery stores and pharmacies. In addition, the mumbuca was removed from circulation at the time it was spent, since businesses received the amount of their purchases automatically converted to reais. As of 2018, the currency acquired a greater capacity to circulate in the city's economy. Small businesses can use the revenue they receive in mumbuca to consume and buy input and materials in other Maricá establishments, expanding the currency cycle. As more individuals have access to mumbucas and more businesses accept it, there is a higher circulation level of the local currency within Maricá.

Our aim was to present the characteristics of the Mumbuca Bank and the mumbuca local currency, which are also associated with the cash transfer programs in Maricá. Between 2018 and 2020, there was an increase in volume transacted in mumbuca, mainly in 2020, which was associated with the economic protection measures put in place to deal with the pandemic. Although beneficiaries of cash transfer programs are the main users of the mumbuca, we believe that the growth in the number of businesses that accept the mumbuca and the low rate of mumbuca conversion by businesses and PAT beneficiaries suggest a good acceptance of the local currency. It is expected that the acceptance and increase in the use of the mumbuca will have a positive impact on the development of the city's local economy, which is precisely one of the objectives of the adoption of the local currency as a public policy tool implemented by the city government.

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