

The Complementary Currency as an Element of the Social Innovation in the Entrepreneurship

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Abstract

The article presents the complementary currency systems as an element of the social innovation in the entrepreneurship. It offers solution for the present economic problems created by the influence of the economic crisis. The important factors are high unemployment rate and exclusion of the marginalized social groups. The evaluation of the complementary currency systems and confrontation with the empirical studies of foreign and domestic authors presents the knowledge that the local currency systems especially in the time of economic crisis have an important contribution for all interested groups – entrepreneurship sector, public sector and private sector in the local economy.

Key words

Social innovation, Social Entrepreneurship, Complementary Currency

JEL Classification: E42, M14, L26, Z13

Introduction

The realization of the individual short timed economical targets created destruction of the world economy and its influence on the wide social groups. It is necessary to implement the solidarity, sharing the positive economical effects and loyal partnership into the economical relations. The social and solidarity economy is the concept, which realizes economical targets of the entrepreneurship subjects by the respect of the social and solidarity principles.

The target of the article is to accent the system of the complementary changes as the element of the social innovation. We are concentrated on the basic principles of the functions of community currencies and their identification by the entrepreneurship subjects. We used mainly on-line information sources because there is the deficiency of the literature sources.

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1 The social economy

The social economy presents two basic aspects. The economy aspect presents real production of the goods and services produced by the enterprises. This is the contribution for the creation of values and welfare generally. The social aspect put accent on the profit in the social environment. The contra point is reserved by the economically oriented profit. It is necessary to understand these aspects mutually. The social profit could be understood as economical and economical profit can be understood as the social.

The social profitability is evaluated by the contribution of the special economical activity for the development:

- Support of the civil projects,
- Increase of the life standard and welfare,
- Creation of the new jobs.

The social profitability is created by the public institutions and entrepreneurship sector also.

The European Commission accepts social economy in year 1990. The social enterprises are accepted as the key subjects in relation to the European economical, social and political activities. The idea of this economical attitude is to present that the solidarity is not in conflict with the entrepreneurship. The report of the EU presents that the social economy employs 11000000 people. It is 6% employment share of the EU labour market. The potential is higher. The financing of the social enterprises figures in the proposals of the future policy after 2013. The Brussels will create new financial tools for the social enterprises. The European Commission will reserve 90000000 Euro for 2014 – 2020 (Euractiv, 2011).

The Economies which last two decades realize their transformation (central economy to the market economy) have an increase rate of the social enterprises in the modification of the subjects of the third sector. The high developed entrepreneurship environment profiled social entrepreneurship as the activity which concentrates profit targets with the social targets. The social economy organizations present targets and models of the entrepreneurship as traditional firms. Their main activity is to realize socially profitable targets.

The keywords used in the social economy environment (Lubelcová, 2012):

1. The *social entrepreneur* is connected with the activities created by the US management and business schools in the mid 90.-ties, which want to present support of new individual entrepreneur activity oriented on the solution of social problems.
2. The *social entrepreneurship* was presented in the second half of 90.-ties. It presents wide range of the voluntary activities to the social responsibility of the enterprises. In USA was realized model of the new added value (profit and special social values). The social entrepreneurship is connected with the third sector in the European environment.
3. The concept of the *social enterprise* as organizational player in the social entrepreneurship defined by formal and legislative status was presented in Europe (especially in Italy, where was legislatively accepted in the form of the

social cooperative). It is a new type of the organization which presents hybrid forms between market economy, public policy and civil society.

The **potential effects of the social economy** in conditions of the Slovak Republic (Lubelcová, 2012):

- *The development of the employment* – stimulation of the offer of employment chances on the local level after the local needs and on the level of the local sources.
- *The development of the sector of services* – This sector is not enough developed in Slovakia from the view of the size and structure. It presents in many locations lowered level of the infrastructure of the environment and civilization under development which decrease limits for the development activities and chances (for example: the development of the tourism)
- *The development of the social services* – their size and structure are long time not sufficient and they do not create possibility of the full social service. The social services need to be focused on the individual activity for the individual clients in the social need. The decentralization has influence on the decrease of the number of social services. Their capacity is not sufficient. The social economy could secure lower professional social needs by own self activities and supervisors.
- *The activation of the social inclusion and new social strategy.* The social economy employment occasions for the long time unemployed and citizens with low job qualification. These jobs are not stabilized to guarantee the financial incomes which can guarantee the stabilized life standard. The social economy program is the combination of the financial income and social financial help. The social financial help by fulfill the motivation a retro function. It minimizes the number of the citizens who depend on the social financial help.
- *The development of the social potential of the locality.* The social enterprises are building on the principles of the self help, social dialogue and public welfare targets. They activate and revitalize the social relations on the local level. They help to revitalize the social organism, which is able to present its needs and mobilize local sources for their satisfaction.
- *The acceleration of the ownership of the decentralized responsibilities on the local and regional level.* The decentralization of the public government system has the influence on the social and economical, local and regional development. The responsibility level of these institutions creates the conditions for the adequate social decisions. The social entrepreneurship activates the conceptions and program for the real man in locality or the region of the country.

2 The social entrepreneurship

The social innovation creates the space for the transformation of the traditional model of the entrepreneurship. This type of the innovation offers new solutions for the social problem. They are more effective, active, and sustainable. The whole social groups have higher social profits from these solutions.

The identification of the social entrepreneurship is presented by the basic typology which respects specifications of the social entrepreneurship. The classical entrepreneurship has the main target the maximalization of the profit. The entrepreneurship with the social responsibility is connected to the profit. The management reinvests the share of the profit into the social policy of the enterprise voluntarily. It supports various social targets. The social entrepreneurship is a new form.

The features of the social entrepreneurship:

- a) The social entrepreneurship is the activity oriented on the social targets. The financial means are invested into the entrepreneurship. The target is to create better social conditions for the employees of the enterprise.
- b) The social entrepreneurship is based on the non-profit principles in relation to the social and public interests.

The social enterprise we defined as the entrepreneurship subject. It realizes its activities on the market competitive environment of goods and services. The employees are mainly the handicapped citizens or other marginalized groups. The culture of the voluntary access is giving chances to the social added value and the membership of its employees. The profits are invested to the development of its social and economical targets.

The European Commission creates the documents which offer suppositions for the realization of programmes of the social entrepreneurship. These are especially: household services, child care, new information and communication technologies, work with the handicapped persons, reconstruction of the buildings and public environment, security work, local public transport, local business, tourism, audio and video sector, cultural heritage and local culture development, waste liquidation, water and sewage economy, nature protection, environment pollution, agro production (plant and bio production). In European Union the social economy sector created more than 2000000 enterprises. It is 10% share of the all European enterprises which employs more than 20000000 employees. The social economy has 10% of the GDP. There are 51500 enterprises and organizations in Spain. These are 2500000 jobs and more than 10700000 people are connected in the social economy. There are 760000 social enterprises in France with 2000000 employees. There are 55000 social enterprises in the Great Britain. The Prime Minister Blair supported the social entrepreneurship. He created the Coalition for the social entrepreneurship (Korimová, 2011).

The important factors of the successful development of the social entrepreneurship (Lubelcová, 2012):

1. Local citizens with the specified level of the cohesion,
2. Active third sector,
3. Entrepreneurship spirit,
4. Support from the side of the local institutions,
5. Support of the state on the macro economical level.

3 The social innovations

The social innovations are necessary for the development of the social economy. The origin of the social innovations is from the real life situations. Their creation is connected with the existing life problem. Their target is to solve the competition in the social environment. The sense of the social innovation is the solution of the social problem by the functionality of the entrepreneurship sector. The suitable situation is when social innovation as the solution is accepted by the entrepreneurship sector. The profit is mutual for the social environment and entrepreneurship environment.

The motivation for the implementation of the technological innovations for the enterprise is economically oriented. It is important for the social innovation also. The role of the state and local authorities have to create support for the new social innovations. The social innovations connected to social and economical life of the societies. The social innovations are very helpful for the solutions influenced by the economical crisis.

The social innovation is targeted on the social group which is affected by the influence of the economical problems and disadvantages. It is necessary to put this social group into the economically profitable chain. The tourism offers such chances. The product of the tourism is influenced by seasonality especially. The support of government and local authorities plays an important role for the successful application of the social innovation programmes. The target groups of the social innovations are handicapped persons, seniors and long time unemployed.

The social entrepreneurship is helpful for the solution of the environmental program. The demand for this product is activated by the state and local authorities. The realization of the social innovations creates positive social and economical effect by the realization of the PPP projects. The entrepreneurship sector is involved into the social and economical problems of the society.

The model that respects the partnerships connected by the principles of the shared economically positive effects is transformed to the model of the partnerships with wide dimensional effects.

4 The complementary currency as the element of the social innovation

The complementary currency is the currency of the exchange. It has function with the national currency and it fulfills the needs which the national currency has not. The complementary currency is not legal currency. It is the currency of the exchange with the target to satisfy the needs from unused sources. The unused sources are goods and services which are offered and demand for them does not exist without market economy.

The article of J. Blanc (2011) which was published in the International Journal of Community Currency Research, presents that community and complementary currencies have four main purposes:

- Support local economical development,

- Build social finances,
- Create sustainable life style,
- Fulfill needs.

The complementary currencies are not legal currencies but they can be legal when they fulfill special requests. They do not compensate national currency but they can be used to support consumers and enterprises with the aim to change their behavior. The enterprise, which accepted such currency, has a duty to legalize this currency as financial income for the taxes. The complementary currency need to have different design than the official national currency.

The creators and administrators of the complementary currency system are responsible for the functionality of the system. The local currencies are equal with national currencies and their exchange rate is 1:1. They are protected against falsification.

The complementary currencies are wide group of the innovated currencies programmes they are use for currency exchange. The definition of the complementary currency: The currency which is not state currency but is accepted as the exchange currency for the goods and services in the specified location or region.

4.1 The types of the complementary currencies systems

There are some hundreds of the complementary currencies systems. The most used is the system LETS and oldest is the system WIR.

The WIR system (Wirtschaftsring) is the independent system of the complementary currency in Switzerland used by small and middle enterprises. The system was created in the year 1934 in the time of great economical crisis. The 16 entrepreneurs knew that they will not receive any credits from the banks and they are not able to pay their liabilities to the banks. They created their own economical system, so called: "Closed economical circuit". The entrepreneurs were inspired by Silvio Geselli.

The principles of the system: The enterprise A needs the credit from the bank because it needs to pay for the good to enterprise B. The enterprise B needs money to buy material from its suppliers. When A buys from B it has a liability. The A has a liability and B has a asset. The B can pay with its asset to the third person (for example: to its supplier) who is involved into the closed economical circuit. The enterprises with their financial liabilities and assets solve their own financial situation in the closed economical circuit.

They need no money and no banks. The value of their complementary currency has an identity with the value of the national currency. There are no interests in this system. The currency WIR exists only in internal accounting system. It does not exist as the cash currency. The banks made a great campaign against this system. It is the miracle that this campaign was not successful and this small system saved the enterprises who were involved in. This system reached the value of 25% who were involved in. The system has 62000 subjects today. The annual turnover in the currency WIR is 2000000000 USD. The target of the system WIR is not the profit but the interests of the clients. The system WIR has high stability also in the times of the economical crisis.

The American professor James Stodder from Rensselaer University realized in 1999 an econometrical study based on the data from the last six decades, which confirm that the secret of the legendary economical stability of Switzerland was influenced by existence of the complementary currency system WIR. It has positive influence on crisis, turnovers and employment in Switzerland. When the economical boom began, economical activity in the national currency rose up and activity in complementary currency rose down. The surprise of this research is that anti cycle behavior of this small alternative system helped to the central bank of the Switzerland to stabilize its economy (Hauserová, 2012).

LETS (Local Exchange Trading Systems) introduce change of the various goods and services in some local community. It is something like barter trade. When people from the west countries accept that such possibility exists it was for them a positive step of their decision.

The principles of the LETS: The group of the people who knows each other gets together. They start to change their knowledge, abilities, services, products, children care, animal care, household repair, car maintenance, cooking, baking or language learning. It is a kind of the service and which is usually realized as the neighbor help. However, when it is too often, nobody knows if the neighbor is happy about this multiple help. The system LETS solve this situation. It has its own currency, and every person knows about the realized work in relation to output and input. The offer of the service is wide. When the participant is in minus he has not to be afraid. The start of the system LETS begins with the loss. There are used checks, where is written who realizes work to whom in which amount of the units of the system LETS. This is send to the LETS administrator. Who realizes internal accounting in the system LETS. The units of the LETS system have their own names.

The official financial system is based on the principles that the financial investments need to be active. Who is not active in the competition will be destroyed. The small entrepreneurship has high costs: rent, taxes, and financial interests. The money saving is more effective. The World Bank presents information that there is 90 times more money than goods and services in the world. The great economical crisis presented what is possible in the financial sector. The people were the same. Their needs and working abilities were the same. The factories, farms, raw materials, were in the same disposition as before. But because there was the bankruptcy on the New York Stock Exchange on the Wall Street all basic economical relations were destroyed. The high unemployment rate is specific today. The people are able to work. There is a need for the results of their work in the society, but society does not give work to them. The LETS system has to offer its complementary currency there, where are niches between the offer and demand on the local level. The official currency makes relations between the people wrong because the target is profit. The system LETS is human friendly.

Michael Linton, creator of the LETS system and establisher of the first group in Comox Valley in Canada, defined five criteria of the LETS system. (Hauserová, 2012):

- No profit is created,
- No trade duty,
- Account results are access able to everybody,

- The value of LETS unit is equal to official national currency unit,
- No offer or demand for the financial interests.

The five principles of the LETS (Jakubec, 2012):

- 1. The price of the services** – LETS is a non-profitable system with strong ethical base. There exists no financial provision for the realized goods or services. The quality of goods and services is guaranteed. The members received financial amount from the system in the national currency.
- 2. The Consensus** – LETS is based on the mutual agreement. The rules are accepted by every member. The membership in LETS is connected with duties to other members. The consensus is necessary by every transaction. There is no duty to use local currency.
- 3. The Transparency** – The confidence is important. The transparency is realized in the way that everybody knows everything about everybody. Everybody knows about account and business operations of the other.
- 4. The equality** – The currency unit of the LETS is equal to the national currency unit. It guarantees easy access into the system. The users can start their business immediately. They do not need to count the currency rate. The equality helps also for the realization of the accounting and tax operations.
- 5. There are no financial interests** from the assets or liabilities of the members of the LETS system. It is the great difference between the local currency and LETS currency.

4.2 The contribution of the complementary currency system for the local economy

The business realized by the creation of the local currency helps to the region to secure financial means for the various projects and create the new possibilities for the trade. The other contributions are psychological and sociological.

This system offers more occasions for the employment. This is the reason why it can have its abilities. The unemployed person can be active as he starts to be a member of the LETS system. He will get a job in the future. There is a higher flexibility by the use of the LETS system currency.

The complementary local currency strengthens the local community. It unites the citizens of the locality and region. There are social connections, cooperation and influence on the planning and implementations of the local activities. The locally oriented products are financed in the local currency and so the people have higher interests about the use of these financial means. They have better control about the realized projects.

The complementary currency systems are created by the subjects who know each other. There is a social control in the system inside. There is minimum misuse of the advantages. The system helps to the locality – region economically and it has influence on the life environment and it decreases the criminality rate.

The advantages of the entrepreneurship subjects by the use of the complementary currency systems:

- Lower costs,
- Better cash-flow,
- Higher motivation of the employees,
- Lower costs for the security,
- Increase of the competition,
- Development of the human relations in the locality.

The advantages of the non-profit organization which participates in the local currency system:

- Lower dependance for the finances in the cash form,
- Possibilities to gain new grants,
- Possibility to use local currency.

Conclusion

The new models of the social entrepreneurship need to be understood by the whole society generally. The education for the social responsibility need to be realized all of the life. The result of this education is an attitude of the individual personality, enterprise and whole society. This attitude is partly presented by the services of the third sector. The enterprise incubators in the entrepreneurship are necessary because they create conditions for the realization of the start-up of the social enterprises. There is also necessary to support the realization of the new entrepreneurship projects oriented on the social aspect. The local currency systems can help to the realizations of these projects.

The local complementary currency is complementary to the official state currency:

- It has smaller influence and validity than the official state currency. It can be defined for specified locality and community.
- It is proposed for the solution of some special request (not as the official state currency).
- It connects offer also there, where the official state currency has not this ability.

This currency system helps to the local community to realize its needs in these ways:

- It strengthens the people with lower financial incomes.
- It supports the people to use their abilities.
- It creates and shapes local community.

This system has an influence on the responsibility of the people to the life environment.

There are some sorts of the complementary currencies which can use the capacity of the factories, companies, enterprises in the time when they are not full. The complementary currencies create new customers for the traders who start to be members of the complementary currency system. They are able to solve the social problems (for example: senior care, long time unemployed persons, etc.) without the taxes

payment. The empirical researches present the opinion that local currency system creates better relations among the members of the community where they are used.

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