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particularly popular among low- and middle-income earners. Many rural workers rely on it because they are poorly paid and therefore do not have access to the formal financial system. *Esusu*, by contrast, tailors its financial services to the real, day-to-day needs of each member of the group. With *esusu*, saving is more convenient and credit is less costly than it would be in the formal financial system (Oloyede 2008). There are also cost-related incentives for joining an *esusu* group: it is interest free. Gender also plays a role: Nigerian women are more likely to use *esusu* as an informal means of saving than men (National Bureau of Statistics 2013).

While *esusu* is largely an informal practice, it also penetrates formal work settings and serves individuals and groups within business organisations. Engaging in *esusu* is often seen as supplementary to other means of obtaining credit (such as cooperatives). Many people engage in *esusu* in order to pursue a specific objective such as purchasing assets, starting a business or expanding their trade. Informal business operators often resort to *esusu* since they find it hard to obtain loans from banks.

Empirical studies of informal finance, financial exclusion, modern cooperatives, poverty alleviation, micro-financing and savings mobilisation in Nigeria recognise the significance of *esusu* and its variants and acknowledge its impact. Legal aspects and trust issues around the practices of *esusu* are less straightforward. Nonetheless, *esusu* practices in Nigeria and beyond are based on trust and on the integrity of the contributing members (Hofstede 1980; Fukuyama 1996). Comparative research into the origins and instruments of informal financing in a cross-country or a cultural-type perspective may bring interesting, if unconventional, results.

5.19 ***Mahalla*** (Uzbekistan)

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Derived from the Arabic *mahali*, meaning ‘local’, the term *mahalla* is formally used in Uzbekistan to mean neighbourhood, local community, or state administrative unit. There are today some 12,000 *mahallas* in Uzbekistan, each of which consists of anything between 150 and 1,500 households (Micklewright and Marnie 2005: 431). However, the word’s rich cultural roots mean that *mahalla* has multiple meanings and definitions. In Uzbekistan it is also used by local people to describe community-based, informal economic practices (Sievers 2002; Urinboyev 2013). In this sense, *mahalla* denotes the means whereby people obtain access to public goods, services and social protection while bypassing the state. It is therefore necessary to distinguish between the ‘administrative’ (formal)

and the ‘social’ (informal) functions. For example, the term *informal mahalla* may be used to refer to *mahalla*-based welfare and redistributive practices.

Typically, *mahalla* practices include monetary and labour exchanges, rotating savings and credit initiatives, mutual assistance and non-compensated labour, housing construction and contributions to charity, all carried out within the local community. A non-compensated community project (*hashar*) is the commonest *mahalla* practice, where local residents cooperate with one another by the reciprocal exchange of labour, money, material goods and services. *Mahalla* residents arrange *hashar* for a variety of purposes, such as constructing irrigation facilities, cleaning streets, asphalt-ing roads, building houses or mosques, organising weddings, funerals and circumcision feasts and many other services not provided by the state. Sievers notes that, ‘In modern Uzbekistan, few weddings, emergency medical operations, university matriculations, house repairs, or funerals take place in the life of the average *mahalla* resident without some community financial support’ (2002: 129). Similarly, Seiple (2005) depicts *mahalla* as a means by which neighbours look out for one another by collectively parenting children, providing labour for repairs to houses, connecting friends and family to jobs and distributing funds to needy families.

The origin of the practice dates back to the eleventh or twelfth centuries when Islamic empires dominated Central Asia. In the pre-Soviet period, *mahallas* were usually communities of several hundred people, organised in accordance with Islamic rituals and social events. A group of elders known as ‘white beards’ (*oqosoqol*) acted as administrators, providing advice and direction to the local community (Geiss 2001; Dadabaev 2013). According to Olga Sukhareva (1976), a Russian anthropologist specialising in the study of *mahallas* in medieval Bukhara, *mahallas* gave residents access to services and infrastructure that were not accessible to non-residents. These included mosques, tea-houses, bazaars, cooking areas and water supplies.

During the early Soviet period, the authorities attempted to eliminate the *mahalla* as an institution; these attempts were abandoned after it became evident that they would provoke social unrest (Abramson 1998). As a result, the Soviet authorities changed their strategy and tried instead to use *mahallas* to disseminate communist ideology by integrating them into the state and party structures. As a result, *mahallas* continued to serve as local village councils throughout the Soviet period (Bektemirov and Rahimov 2001).

After Uzbekistan became independent in 1991, the authorities expanded the role and responsibilities of *mahallas* (Louw 2007). The

mahalla was transformed into the basic administrative unit of local government. *Mahallas* are now hybrid institutions, operating both as part of the formal system of public administration (*formal mahalla*) and as an informal, community-based welfare system (*informal mahalla*) (Sievers 2002; Urinboyev 2011, 2013, 2014). One may distinguish between ‘formal’ and ‘informal’ *mahalla* by looking at their functions and regulatory



Figure 5.19.1 Dinner at a *mahalla*.
Source: Author. © Rustamjon Urinboyev.

structures: formal *mahallas* take the form of committees headed by a state-salaried chairman (*rais*) and act on behalf of the state; informal (social) *mahallas* are founded on moral ideas of solidarity and mutual help and are led by an *oqsoqol* chosen by residents.

Given the existence during the Soviet period of an all-encompassing social protection system, people in those days felt less need for a *mahalla*-based welfare system. But cutbacks in state welfare support in the post-Soviet period mean that *mahallas* have now become primary providers of social welfare. Sievers (2002: 103) notes that, ‘The economic significance of *mahalla* has shifted from a vehicle through which to amass additional or disposable wealth to a vehicle for basic survival’.

Since 1991, the Uzbek authorities have portrayed the *mahalla* as an Uzbek national brand, but analogous institutions may be found in Islamic areas stretching from Central Europe to Southeast Asia. Similar traditions persist in Tajikistan, Kyrgyzstan, Iran, Afghanistan, Turkey and Azerbaijan (Trofimov 1995; Coudouel et al. 1998; Sievers 2002; Louw 2007). Other examples may be found in the Balkans, dating from that region’s Ottoman (Islamic) past (Choleva-Dimitrova 2002).

Mahallas embody moral ideas of solidarity and mutual help. But while this *mahalla*-based solidarity is based on ties of kinship, reciprocity and good neighbourliness, it may also contribute to the emergence of initial elements of nepotism, cronyism and patron–client relations. According to informal norms of *mahalla*, the individual is expected to share his or her economic resources and political influence with his *mahalla* (family, relatives, neighbours). These *mahalla* norms shape the behaviour of individuals when they engage in public administration, business and social life. State officials frequently find themselves compelled to choose between, on the one hand, loyalty to their kin and *mahalla*, and, on the other hand, honesty at work. Therefore, upholding respect and loyalty for kin and *mahalla* networks often comes at the expense of the formal structures, thereby leading to an omnipresence of clientelistic relations in state institutions (Urinboyev and Svensson 2013). In this way, *mahalla* structures undermine the rule of law and good governance initiatives by promoting alternative versions of how people should behave.

5.20 ***Tandas and cundinas*** (Mexico and south-western USA)

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Rotating savings and credit associations (ROSCAS), known as *tandas* in central and southern Mexico and *cundinas* in northern Mexico and