

“How a classic model of social commerce can teach the world how to save”

*Savings groups are prospering in slums from Mumbai to São Paulo*

By Adam Werbach | 29 November 2011

In a dusty hallway in Mumbai's Dharavi slum, two women barter used clothes for pots and pans. The going rate today is ten pieces of used clothing for one new tin pot.

This is the informal economy, growing as the world's population continues to urbanise in mega-cities like Mumbai and São Paulo. In Mumbai, where 60% of residents live in slums, activity in the informal economy, from bartering to neighborhood savings groups to co-ops, rivals the scale of the formal economy of retail stores, banks and taxes. The scale of this endeavor has not gone unnoticed by the corporate sector, and companies are beginning to embrace this population as a future market for their goods and services. But more important than what they buy is what they can teach about building highly integrated neighborhood economies.

Shabana Begum smiles shyly as she opens the door to her small home in the Dharavi slum. Dirty water pools in the meter-wide lane that passes her door. Laughing children rush past towards a pick-up game of cricket. Her two older children proudly show off their impeccably neat 40sqm home, as Shabana describes the savings group she's been a part of for the last three years. Savings groups, pioneered in slums like this one and spread throughout the world by the organisation [Slumdweller International](#), are the backbone of a neighborhood support system that provides these communities services that the government and corporate world does not provide.

Shabana saves 100 rupees a day (about \$2) through her savings group. Her husband, a rickshaw driver, earns 500 rupees a day. There are twenty families in this group. A volunteer representative comes by her home each day to collect her contribution. Saving 1/5 of your income is no small feat. When I ask her how she is able to save that much she says, "My husband makes a good living, I'm able to save it easily. It's important to save every day." She pauses, "And I've not had to take one withdrawal from it yet."

"Savings groups teach women to gather their money, account for it, and support each other," says Sheela Patel, chair of Slumdweller International. "It starts with loaning someone money for food they need tonight, and builds to become a voice for the community," she says.

"What binds the community is daily savings," says Melanie Walker, the deputy director for Special Initiatives for the [Bill and Melinda Gates Foundation](#), a supporter of Slumdweller International. "This fundamental process builds social and economic capital from which the communities can begin to work their way out of poverty." Slumdweller International has grown into a network of community-based organisations of the urban poor in 33 countries in Africa, Asia, and Latin America.

Slums exist outside the formal resources of a city and frequently have poor access to water, sanitation, roads, banking, waste removal and the justice system. Neighborhood savings groups bring together neighbors to support each other and provide a platform for cities to include residents in land-use planning. "People in slums need to be included in planning for the future of those slums," says Patel. The Dharavi slum, featured in the film *Slumdog Millionaire*, sits on some of the most expensive real estate in Mumbai. Politicians and developers are eager to begin redevelopment. Neighborhood savings

groups are working together to form a voice for the residents, some of whom have lived in Dharavi for thirty years.

Neighborhood savings groups promote three core duties: saving every day, surveying their neighborhoods and building the savings group movement. Each family participates in intricate surveying of their neighbors in the slums. They map salaries, family size, skills, hobbies, preferences, and backgrounds. They build a socialgraph far more detailed than what Facebook maintains on its users. "The surveys that our networks keep in the slums are better than what the government can muster. Now they just ask us for the survey when they want to know about what's going on in the slums," says Patel.

Sharing the model is critical to success. Each savings group commits to sharing the model with another potential group. Networks of groups at the local and regional level are part of national and international networks through Slumdweller International. Local savings group leaders from Mumbai have travelled to Soweto, South Africa to build support for local savings groups. There are now thousands of savings groups in countries from Kenya to the Philippines to Brazil.

The 2004 launch of CK Prahalad's landmark book, [The Fortune at the Bottom of the Pyramid](#)," kicked off a rush of exploration by companies seeking to sell products to the 2.5 billion people on the planet who make about two dollars a day, many of whom live in slums like Dharavi. Yet slumdweller are producers at least as much as they are consumers. Dharavi hums with pottery-makers, garment-sewers, bakeries, plastic recyclers and hundreds of small-scale enterprises. Money flows into Dharavi to buy goods like Idli, small savory cakes made of lentils and rice, and stays inside the slum as it enters the informal internal economy of savings groups and co-ops. As these savings groups grow over time, they build longer-term assets.

Slums like Dharavi are reintroducing this classic model of social commerce at an entirely new scale. Members of savings groups build assets individually and collectively, forming relationships of trust with their neighbors in the process. They displace the need for new purchases through repairing old products and bartering for new products. They rely on neighbours for insurance and security. This close-knit community trade is born out of need and circumstance. Residents face inadequate sanitation, unsafe water, high TB infection rates, and a host of other social challenges. They're adopting a set of saving and spending practices to respond. "Slums are not abominations," says Patel. "They are thriving, pulsating, industrious zones that have been abandoned by cities."

Dharavi slum resident Abheena saves five rupees a day in another neighborhood savings group. She proudly shows off the new tiles she's installed in her small home and laments that her house floods during monsoon season. "Who will fix this?" she asks, and then answers her own question. "It is we, ourselves."

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<http://www.guardian.co.uk/sustainable-business/slumdweller-savings-co-operative?INTCMP=SRCH>