

Customary Laws Regulating Traditional Financial Institutions in Tigray Regional State (Ethiopia): A Brief Introduction to Eqqub and Iddir

by

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Abstract

This paper offers a short account of the legal framework of traditional financial institutions in Tigray known as “Eqqub” and “Iddir”. Eqqub and Iddir are very old traditional institutions in Ethiopia that maintain their importance up to till today. They become even more and more relevant as time goes on and as the economy becomes stronger. Unlike many other traditional institutions that have vanished or diminished with the introduction of new laws and technology, Eqqub and Iddir are flourishing and becoming the hub of the financial industry in many aspects. This paper, therefore, explains customary laws, values and practices that guide and regulate the traditional financial institutions such as Eqqub and Iddir. The paper describes the two institutions based on interviews with key informants and based on discussions during the conference organized to officially inaugurate the project. The paper also draws on more than 30 court cases that were collected from all wereda courts in the Regional State of Tigray to demonstrate how courts assist the traditional institutions to enforce their internal laws.

¹ This paper contains a brief introduction to a research project jointly undertaken by the School of Law at Mekelle University (Ethiopia) and the Faculty of Law at KU Leuven (Belgium). The findings are of a preliminary nature. The project receives funding by the Flemish Interuniversity Council’s (VLIR-UOS) South Initiative Program (SI) and runs from September 2014 through August 2016. Some of the ideas expressed in this paper reflect oral presentations made at the kick-off meeting of the project involving both stakeholders and academics at Axum Hotel, Mekelle, on September 15-16, 2014.

1. Introduction

Since human beings have started living a communal life, they have created different social, religious and political institutions that serve the interest of their community. These institutions serve the society in different ways including maintaining its identity, history and cultures and passing its values, moral understandings and customs from generation to generation. The traditional institutions do not operate in a vacuum. There are well-established values, principles, customs and very strict ritual practices that govern the very existence of the traditional institutions. Furthermore, the traditional institutions are bound to observe and respect these guiding values and principles and laws to be acceptable and valid institutions of the society.

Customary laws and practices are not static. As they are innovations of the society designed to serve its interest, they keep evolving to address social, political and economic changes in the society. “Customary law is continually evolving in the light of social, economic, scientific, and technological developments and possibilities.”² The dynamic nature of customary laws helps to explain the futile nature of attempts by foreign legal scholars to codify customary laws in African countries such as Ethiopia, where traditional customs are one of the main sources of law in practice.³

The changes and evolution in the customary laws, especially when it is a result of a natural change within the society free from external interference, may not be noticed unless a designed research is conducted to trace it. In some case we may have traditional institutions that are still undergoing important changes in their organization, administration and scope of application. The original objectives of the traditional institutions may become obsolete. However, the institutions continue to be vital in the society because they slowly replace other objectives that reflect the new social, economic and political interests of the society.

² NDULO, M., *African Customary Law, Customs, and Women's Rights*, 18 *Indiana Journal of Legal Studies*, 2011, 65.

³ For further discussion of this issue, see VANDERLINDEN, J., *A Further Note on an Introduction to the Sources of Ethiopian Law*, *Journal of Ethiopian Law*, 3 (1966), 635-644; TUORI, K., *Legal Pluralism and Modernization: American Law Professors in Ethiopia and the Downfall of the Restatements of African Customary Law*, *Journal of Legal Pluralism*, 62 (2010), 43-70.

Eqqub and Iddir in Ethiopia are good examples of traditional institutions that continue to be relevant and important by replacing and modifying their original objectives to fit the existing situations. Eqqub and Iddir are among the very old traditional institutions in Tigray, Ethiopia. They serve both as financial and social security institutions. The institutions have continued to play a significant role in the society without being undermined by the introduction of new and modern banks and insurance institutions.⁴ The traditional institutions have survived significant social, legal and economic changes in the society because of internal and external reasons. A traditional institution would survive such major social, legal and economic changes when it has a system that allows it to respond to new changes by expressly or tacitly modifying the customary law, usages and practices that guide and regulate it.

Since the 1990s sociologists, anthropologists and economists have conducted significant research on these institutions.⁵ Yet, however valuable the existing contributions on the subject, they leave ample scope for further investigation, especially regarding the values, principles customary laws, usages and bylaws that these institutions have developed since their inception.⁶ It is also yet to be researched how those customary laws, usages and practices have evolved through time to enable the institutions to transcend major legal reformations that have been undertaken since the 1960s in

⁴ DEJENE, A., *The Informal and Semi Formal Financial Institutions in Ethiopia: The Study of Eqqub, Iddir and Saving and Credit Cooperatives*, Research Paper 21, African Economic Research Consortium, Nairobi, 1993, 11.

⁵ BEGASHAW, G., *The Economic Role of Traditional Savings and Credit Institutions in Ethiopia Savings and Development*, Vol. 2, No. 4, 1978, 249-264; DEREJE, A., *The Informal and Semi-formal Financial Sectors In Ethiopia: A Study of the Eqqub, Iddir, and Savings and Credit Co-Operatives*, African Economic Research Consortium, Kenya, Nairobi, 1993; PANKHURST, A., and DAMEN H., *The Iddir in Ethiopia: Historical Development, Social Function, and Potential Role in HIV/AIDS Prevention and Control*, Northeast African Studies, Vol. 7, No: 2, 2000, 35-57; AYALEW, D., *Risk-sharing Networks Among Households in Rural Ethiopia*, Center for Economic Studies Discussion Paper Series, May 2003, online at <https://feb.kuleuven.be/eng/ew/discussionpapers/Dps03/Dps0305.pdf> (last visited 27 September 2015); KEDIR, A.M., *The Economics of Rotating Savings and Credit Association: Evidence From Ethiopia*, International Conference on African Development Archives, Paper 93, 2005, online at http://scholarsworks.wmich.edu/africancenter_icad_archive/93 (last visited 27 September 2015); OLOLO, S., CHALLI, J., YOHANNES H., BELAINEH, G., *Indigenous Community Insurance (Iddirs) As an Alternative Health Care Financing In Jimma City, Southwest Ethiopia* Ethiopian Journal of Health Sciences. Vol.19, 2009; TEKIE, A., (Ed) *Proceedings of 10th Anniversary of AEMFI*, AEMFI, Addis Ababa, 2009; DERCON, S., HODDINOTT, J., KRISHNAN, P., *Networks and Informal Mutual Support in 15 Villages in Ethiopia*, KIRSTEN J. et al. (eds.), Institutional Economics Perspectives on African Agricultural Development, Washington DC: IFPRI, 2009, 273-286; AREDO, D., *The Iddir: an Informal Insurance Arrangement in Ethiopia Savings and Development*, 2010; TESHOME, E., MULUMEBET, Z., HENOK, M., SIBHATU, B., *Participation and Significance of Self-help Groups for Social Development: Exploring the Community Capacity in Ethiopia*, Springer Plus 2014, No. 3, 189; Adama, Ethiopia, 2013.

⁶ DEJENE. A., *The Iddir: A Study of an Indigenous Informal Financial Institution in Ethiopia*, 18(1) Savings and Development, 1993, 77- 90.

Ethiopia.⁷ This paper therefore focuses on the customary laws, usages and practices that regulate these institutions and on how the customary laws and usages have continued to evolve and develop to catch up with the changing nature of these institutions.

2. Traditional Financial Institutions

2.1. Iddir

Iddir is a social institution that provides material and psychological assistance to the relatives of a deceased family member. It arranges and facilitates a decent funeral ceremony for its members and for families of the member who are covered by the Iddir system.⁸ It has the function of supporting family members during bereavement.⁹ It also provides other multidimensional support for its members during bereavement including financial and psychological support for families. Generally, it is an indigenous institution that has been designed to share the burden of its members during difficult times. It is a system that intends to reduce the burden of loss of a family member by sharing the cost amongst all members of the Iddir. In general terms, Iddir is an informal insurance system that functions based on risk pooling and risk sharing mechanisms.

Empirical researches have confirmed that more than 90% of the population of Ethiopia belong to at least one Iddir.¹⁰ There is no data that shows how prevalent Iddir is in Tigray; however, considering the social and economic purpose that iddir fosters the data generated for Ethiopia can be validly taken as representative data for Tigray.¹¹

There are two types of contribution to be made by the members of the Iddir. (1) Monthly or annual contribution of a fixed amount of money; and (2) contributions based on special calls to be made when the member of the Iddir herself or a close family that is covered by the Iddir died. The

⁷ JEMBERE, A., *Introduction to the Legal History of Ethiopia: 1434-1974*, The Hague, African Study Centre, 2000, 198-200.

⁸ DERCON, S., DE WEERDT, J., BOLD, T., PANKHURST, A., *Group-Based Funeral Insurance in Ethiopia and Tanzania*, *World Development*, 34 (2006), 685-703; WOLDAY AMHA, and TEKIE ALEMU, *Household Saving Behavior and Saving Mobilization in Ethiopia*, *Ethiopian Inclusive Finance*, Training and Research Institute, Addis Ababa, 2014, 118.

⁹ PANKHURST, A., and DEMEN, H., *The Iddir in Ethiopia: Historical Development, Social Function and Potential role in HIV/AIDS Prevention*, Vol. 7, No:2, *Northeast Studies*, 2000, 35-58.

¹⁰ *Ibid.*, citing DERCON, S., HODDINOTT, J., KRISHNAN, P., WOLDEHANNA, T., *Collective Actions and Vulnerability: Burial Societies in Rural Ethiopia*, CAPRI Working Papers, 83; compare DERCON, S., HODDINOTT, J., KRISHNAN, P., *Networks and Informal Mutual Support in 15 Villages in Ethiopia*, cited above, fn. 5.

¹¹ TESHOME A, (et al), *Participation and Significance of Self-help groups for Social Development: Exploring the Community Capacity in Ethiopia*, Springer Plus, 2014, No. 3, 189.

contribution to be made monthly or annually covers administrative cost of the Iddir. It is also used to buy important materials that can be used by the members of the Iddir. The contributions that are to be made in response to a call to help a particular member of the Iddir will be used to support the one that faces the problem. The kind of contribution varies from one Iddir to another. It commonly includes obligation to attend a funeral, to morally support the families of the diseased, to provide food and drink for the families of the deceased and grieving guests.

Iddir has commonly three leaders: a chairman, a vice-chairman and a secretary. All three are selected by the members. The general meeting of the Iddir members is the highest governing body and it decides on all important issues such as the amount of contribution, the kind of contribution and the relatives covered by the system. The leaders of Iddir run the day-to-day activities and they also decide on issues that do not significantly affect the main pillars. In some cases the Iddir may have written rules agreed upon by all members but mainly the rules are unwritten. They are a result of consensus or simply supposed to be acceptable because they are common practices in many other Iddirs.

More importantly, from time to time the institution of Iddir is modifying its administrative structures, objectives and rules without, however, missing its traditional roots and values. Iddir was traditionally reserved only for supporting families of a deceased person and to assure the deceased relative gets a decent funeral but now it has become a broad social security institution.¹² Iddir nowadays provides financial assistance for members who are sick. They also use their accumulated money for social services such as construction of access roads, schools and clinics that serve the community. Iddir has started to do business by renting its properties to non-members. It also rents properties to members when such members are not entitled to use the property for the specific event they want the materials.

Some Iddirs involve themselves in small and medium scale businesses, including the hotel business. When they do so, they may be registered as business associations and comply with all regulations.¹³

To respond to the new developments in Iddir, the institution has, consciously and unconsciously, modified some of the customary laws and principles. It has even developed new practices and

¹² Ibid, Supra note 1, 11.

¹³ BULTI. H Senior Researcher in Oromia Legal and Justice Training and Research Centre, Paper presented at the kick-off seminar organized in Axum Hotel, Mekelle, September 15-16, 2014.

customary rules. The rule making process in Iddir is more of an evolutionary nature. It is difficult to trace the exact dates and conditions of the law making process and further research and data are needed to specifically trace the history of the customary laws that regulate Iddir. However, it can be generally concluded that the institution has developed customs and practices that best serve the changing interests of the society and respond effectively to legal, social and political changes that has been witnessed. It is able to continue as a very vital social institution. That is one of the reasons why economists have argued that effective formal insurance schemes in countries such as Ethiopia should build on existing informal systems such as Iddir.¹⁴

2.2.Eqqub

2.2.1. General features of Eqqub

Eqqub is a financial institution that functions by collecting money weekly¹⁵ from its members and by paying the collected money (Eqqub money) to the member who wins a lottery at a particular week. Eqqub members continue to contribute till every member is paid. It is a system that provides funding on rotation basis by collecting money from its members. That means a member will lend money to another member of the Eqqub who wins a lottery to take the money. When a member wins a lottery to take the money then she is partly taking back the money she paid to members who won before her and partly taking a loan from other members who still have not won the lottery. The member, therefore, continues to pay weekly till the whole cycle is completed.

Some large Eqqub institutions have two or more Eqqubs within one umbrella association and with the same leaders. Commonly an Eqqub has 52 members to enable the cycle to be over within one year.

Members of Eqqub have different objectives motivating them to join. Some members may be interested in the saving part of Eqqub and join the system to be committed to save a portion of their income. This is because once they join Eqqub; they have a moral, social and also legal obligation to continue to pay the amount they subscribed to.¹⁶ They use the accumulated money to

¹⁴ CLARKE, D., DERCON, S., *Insurance, Credit and Safety Nets for the Poor in a World of Risk*, UN Department of Economic and Social Affairs Working Paper Series, 81, 2009, online at http://www.un.org/esa/desa/papers/2009/wp81_2009.pdf (last visited on 27 September 2015).

¹⁵ It can be daily or monthly according to the agreements of the members but commonly Eqqubs prefer weekly payments.

¹⁶ We have collected more than 30 court decisions from courts in Tigray Regional State that all clearly establish that obligations that emanate from Eqqub including paying Eqqub money are enforceable in courts of law. The Court of

start business, to finance their education, to celebrate their wedding or for any other purpose they need an amount of money that they cannot get at once elsewhere.

On the other hand, some members join Eqqub to get a loan. The Eqqub can provide a loan in two different forms. If a member who wins a lottery to take the money does not want the money for the time being, the Eqqub leaders will sell the lottery to another member who wants to buy it. The buyer commonly pays 10% of the Eqqub money she collects to the seller as compensation for transferring his right.¹⁷ That is an Eqqub member who could not wait till she becomes lucky to win the Eqqub lottery can bargain with Eqqub member who wins the Eqqub lottery to assign to her the right to be paid the Eqqub money collected from members at that particular week or day as the case may be. The Eqqub leaders then approve the transfer of the right and pay the assignee as if she were the winner of the lottery by deducting 10% as compensation money to be paid immediate for the assignor for relegating her rights. The Eqqub leaders also charge 1% from both the assignor and the assignee as service charge for approving and facilitating the assignment of right. The assignee will also delegate the seller to his right to take the money sometime in the future when she wins the lottery. Here it should be clear that the Eqqub buyer or the assignee that is the member who paid 10% to be paid in advance in the first week may win the lottery after a week or she may not win the lottery for several months to come. Therefore, the assignee or the buyer is paying 10% of the money to get money now rather than to wait for some uncertain time till she wins the lottery.

The second form of providing a loan is that when there is no one who is interested to sell his lottery but there is a member who is in urgent need of the money, the leaders of the Eqqub provide the member money that is equal to the amount of money he would get when he wins the lottery in advance before he wins the lottery. Here there is an important question about how they could provide money to members before they win the lottery unless another member agrees to relegate her rights. The question is pertinent and logical considering the nature and the organization of Eqqub, an institution that distributes the money it collects from members to lucky members who win the lottery at the same day. The Eqqub leaders justify that they use the capital of the Eqqub

Cassation has decided that the customs and practices of Eqqubs are enforceable by formal dispute settlement institutions, see *DESALEW FANTA versus MULUGETA DESALEW and AYELE DEBELA*, Cassation file number 46019. As the cassation court decisions have a binding force on other subordinate courts in Ethiopia, we can conclude that at least in principle Eqqub and its institutional customs have received recognition by Ethiopian courts.

¹⁷ The amount of payment may differ from one institution to another.

collected in different forms particularly from payments made for them as administrative charges. The beneficiary assigns the institution itself to her future rights which will be due when she wins the lottery.

2.2.2. The transformation of Eqqub from a simple gathering of friends into a large informal financial institution

It is very difficult to tell the exact date and place Eqqub was started. Eqqub is a financial institution and in its simplest form, it is a saving and credit institution for its members on a rotation basis. Therefore, it can be assumed that Eqqub is more related with expansion of cities and commerce rather than with the rural agricultural community. The agrarian society harvests once or twice a year and consumes what it produces till the next harvest seasons. Therefore, it does not have a weekly or monthly income that will be paid to Eqqub. As a result, it does not appeal to an agrarian community to join Eqqub. On the other hand, it should not be forgotten that rural areas have developed their own traditional mechanisms of money-lending and credit.¹⁸

Initially, Eqqub was started as an informal association of individuals who have very close relationships and bondage with the main purpose of encouraging saving. It was considered as a means of motivating group members to save a certain amount of their income for future consumption. The contribution amount was very limited and members of the Eqqub used to be very close friends. There were no written agreements that govern the Eqqub and the leaders used to serve for free without any payment or financial benefit. However, through time Eqqub has evolved from a union of small group of friends into very big association that mobilizes large financial resource. It has been able to do this without significantly losing its inherent values and norms.

The proliferation of Eqqub institutions has made it difficult to make generalisations about the institution. The increase in their number means that there are diversified types of Eqqubs. The traditional arrangement of self-help groups among friends and colleagues, established to solve some specific problems, is now also seeing groups with very large number of members of diverse professional and social life, collecting a very large amount of capital. Some Eqqub arrangements

¹⁸ The tension between these customary lending practices in agricultural environments and the introduction of Western-style micro-credit institutions has been investigated by SEGERS, K., DESSEIN, P., DEVELTERE, P., HAGBERG, S., HAYLEMARIAM.G, HAILE. M and DECKERS, S., *The Role of Farmers and Informal Institutions in Microcredit Programs in Tigray, Northern Ethiopia*, Perspectives on Global Development and Technology, 9 (2010), 520-544.

have now become umbrellas consisting within them “Groups of Eqqubs” with different members and different amount of contributions. Such groups will have names based on the days lots are drawn (i.e., Saturday Morning Eqqub, Sunday Afternoon Eqqub, etc.) or based on the amount of contribution. However, these groups will be under the same leadership and rules.

The diversity of the Eqqub arrangement made one participant at the kick-off seminar of the VLIR UOS-funded project¹⁹ comment that there were two types of Eqqub: those remaining true to the traditional character of Eqqub, and those who have grown into large institutions which are more similar to formal credit associations.

One Eqqub in Mekelle, for instance, has 1,500 members from different sections of the society.²⁰ Some groups have members who pay 250 Birr per week, the minimum amount possible under its arrangement. On the other hand, there are groups within the same institution with members who pay 10,000 Birr per week.²¹

The amount of capital accumulated by some Eqqubs has brought along with it some issues of urgent concern. Legal security is the main one. What security does the Eqqub give to its members that a member who has won a lottery will continue to pay his contributions? The fact that in the traditional arrangements, the members know each other at work or in other fields of life was by itself assurance enough that everyone would get what she is entitled to. In fact, one advantage of these institutions has been that they help uphold the societal values of honesty and integrity. However, with the diversity of members and increment of capital, these values may not warrant adequate security. There is still a claim that such values work in addressing the issue.²²

Courts provide judicial recognition for Eqqubs and they force the defaulter to pay back the Eqqub money she has taken.²³ Eqqubs have also designed two mechanisms to avoid the sluggish and complex court litigations and to minimize the risk of insolvency of the member who have been

¹⁹ As the first step of conducting the research project on ‘Taking Local Customs Seriously: The Governance of Credit and Finance in the Tigray Regional State, Ethiopia’, A two-days seminar attended by participants from different stakeholders (mainly informal institution, microfinance institutions, courts, bar association, higher education institutions) was conducted, September 15-16, 2014.

²⁰ This is the case of ‘Rahwa Eqqub’. Its members include people outside of Mekelle.

²¹ KAHSAY, T., Leader of Rahwa Eqqub, speaking at the kick-off seminar organised in Axum Hotel, Mekelle, September 15-16, 2014.

²² Ibid, speaking at the kick-off seminar organised in Axum Hotel, Mekelle, September 15-16, 2014.

²³ According to the presentations at the kick-off meeting, there are many court decisions that order the attachment of the property of the defaulter and Eqqub leaders and judges who participated in the seminar have confirmed that they apply formal contract law principles to support the claim of Eqqub institutions to get back money from defaulters.

paid. (1) Many large Eqqubs transpose the check laws provided in the commercial law into an effective security system in governing the informal Eqqub system. This means a member who wins the lottery shall give a valid check with value that equals the money he won in the Eqqub as a condition to be paid by the Eqqub leader. Therefore, in case the member fails to pay as he is required by the Eqqub laws they would collect the money from her bank or if she does not have sufficient balance in her account they would easily force the member to immediately pay the unpaid money under the threat that they would report to police for giving a check without having sufficient balance which is a crime under the law.²⁴ (2) They require two guarantors and one of them shall be an unpaid member of the Eqqub who is waiting to win the lottery in the future. Hence, in case she becomes insolvent and unable to pay the Eqqub money then they will bring a court claim against the guarantors.

When Eqqubs become more complex and a big institution there are some pertaining legal issues that need to be answered. Are Eqqubs required to be registered? Are they legal persons? If not, how do they conduct activities such as depositing money in banks, bringing actions in courts? How do they validly organize meetings and charge money for their services? The kick-off seminar organized to collect preliminary data for this research indicated that there are a plethora of issues that have not yet clearly been addressed by Eqqubs or by the formal legal system. There are also problems in the attempt to use the formal laws in the informal organization. A good example is the fact that the intention of the law that criminalizes the drawing of a check without sufficient balance is different from the purpose for which Eqqub leaders use a check, namely as a bank guarantee paper. There are court cases that show the difficulties that emanate from the use of checks by Eqqub leaders.²⁵

Moreover, the large number of members in some Eqqubs necessitated well-organized leadership. As the leaders invest their time and energy in running the institutions, it is now a custom that their

²⁴ The Criminal Code of Ethiopia, Federal Negarit Gazette, Proclamation No.414/2004, Article 693. According to this provision, the act of drawing a check without cover is punishable up to 10 years rigorous imprisonment. The act is punishable even when it is committed negligently.

²⁵ HAGOS KAHSAY versus GEBRETSADIK NEGASH, Kedamay Weyane Court: File number 16474: In this case, the Eqqub leader has sued an Eqqub member who defaulted to pay two consecutive weeks to pay the total Eqqub money he had taken by adducing the check as evidence. They have also reported the case for police and the public prosecutor charged him for criminal offence. The Eqqub member argued that he had already paid 80% of the Eqqub money and the unpaid money is less than what they claimed and the check was given according to the custom as guarantee and does not mean to be used to withdraw money from his account.

function is rewarded, the extent of reward differing from one Eqqub to another. In Mekelle , Eqqub leaders take the first Eqqub money collected from all members as remuneration for their services that is all members pay an amount equal to their onetime Eqqub contribution for Eqqub leaders for their services. Whereas is in small towns such as in Maichew the Eqqub leaders are not paid but they have the right to be given the first Eqqub money (to be paid first) The practice in Maichew that is giving the right to be paid first without a lot is more the same with the traditional practice.

The Eqqub leaders in Maichew are to be elected anew every year though there are practices of re-elect the same leaders most of the time they sometimes change leaders. In Mekelle, there is no yearly election of leaders of Eqqub. The founders of the Eqqub become leaders and remain in the leadership for unlimited period. The Eqqub leaders are defacto owners of the institution and they enjoy both the rights and duties as Eqqub leaders.

Eqqub leaders have joint and several liabilities to Eqqub members to pay them the money they are entitled to get from the Eqqub. This obligation is clearly stated in Eqqub members' identification cards. Tigray Courts have also decided that Eqqub leaders have joint and several liabilities to members. The Eqqub leaders have reserved in the internal laws of the Eqqub a right to sue defaulting Eqqub member. The court decisions collected from Regional state of Tigray also indicate that courts accept cases initiated by Eqqub leaders for unpaid Eqqub contribution and decide that the defaulting member should pay his contribution.

All the above-mentioned changes have urged the government to be cautious in dealing with these traditional financial institutions. The government understands the advantage these institutions are providing the business community and the society in general. This is true in a country where 80% of the population cannot access the formal financial sectors and where the rate of saving is very minimal even by African standards.²⁶ However, the government also takes financial matters ultra-seriously and is sensitive to any possibility of financial problems. The increased importance and complexity of the Eqqubs are driving the government towards this approach. When the government believes that these institutions are going outside what is traditionally regarded as their proper roles and enter into activities reserved for formal financial

²⁶ GEBREWAHID. Z., Legal expert at National Bank of Ethiopia, speaking at the kick-off seminar organised in Axum Hotel, Mekelle, and September 15-16, 2014.

institutions, it goes even as far as dissolving them. For instance, the National Bank has dissolved one Eqqub in the Amhara Regional State which was involved in lending, with interest, of the collected money. Another Eqqub, Gojo Eqqub in Addis Ababa, was dissolved when it attempted to expand its scope of functions to areas which are not traditional regarded as Eqqub's activity.²⁷ It is not only the National Bank which is facing difficulties. The courts also face complexity in applying laws to the activities of these institutions. The major reason is the absence of special laws addressing the special nature of these institutions.²⁸

2.3. Comparison between Eqqub and Iddir

Eqqub and Iddir have many things in common. Firstly, they are both meant to strengthen social relations and reducing social and economic burdens on individuals by sharing the risks among members of the community. Secondly, the institutions have somehow similar administrative structures and both Eqqub and Iddir give their members the power to choose their leaders.

However, there are also significant differences between Eqqub and Iddir. (1) Eqqub is a temporary association of people with maximum life span of one year though it may be restarted and every time it will be open for new members to join it. Whereas Iddir is a permanent establishment that survives many of its founding members and that may even serve grand-children of the founding members and even beyond. (2) Eqqub collects and distributes money among its members and every member gets his contributions based on lotteries organized on a weekly or monthly basis, whereas in Iddir, members contribute without expecting to collect their contribution back and knowing the contributions will be used by the Iddir to satisfy the objectives the Iddir. (3) Eqqub contributions can be different, that is members may contribute different amounts within the range provided by the Eqqub whereas Iddir contributions are similar for all members. (4) Most Iddirs have assets including immovable property whereas Eqqub institutions do not have assets. (5) Iddir leaders are not paid for their services whereas Eqqub leaders are compensated for their services monetarily or by being paid first.

²⁷ Ibid, speaking at the kick-off seminar organised in Axum Hotel, Mekelle, September 15-16, 2014.

²⁸ ABRAHA.W., Judge at Mekelle High Court, speaking at the kick-off seminar organised in Axum Hotel, Mekelle, September 15-16, 2014.

3. Conclusion

Iddir and Eqqub are flourishing everywhere in Tigray as social and economic institutions. Despite the changes in social, economic and legal frameworks, Eqqub is expanding and attracting more people from diversified social groups and the amount of capital they transact is significant. It is beyond doubt that Eqqub now serves as the engine of small and medium scale business activity in most of the cities.

The expansive nature of these informal financial institutions has started to be an element of friction with the government. Such tension exists, so far, when the institutions administer large amounts of capital or have a large number of members. However, countermeasures have been sporadic and were not based on fully-fledged studies on the adverse effects of any of the institutions. Which institutions are involved in illegal activities and to what extent is yet to be researched.

Despite all these controversies and lack of clarity on the future of these informal financial institutions, they are trying to catch up with the changing circumstances that exist within and outside them. The fact that they have hitherto survived these changes provides prima facie evidence that they are successfully evolving into directions that enable them to address these changes adequately. However, it will not be possible to make definitive conclusions until further research has clarified the evolving nature of Iddir and Eqqub in north-western Ethiopia.