

# Rotating Savings and Credit Associations as a Financial Commons: A Case Study of an Ethiopian Equub in Berlin

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## Abstract

Equub is an Ethiopian Rotating Savings and Credit Association (ROSCA) that has been used by a significant number of the Ethiopian population for a long time (Aredo, 1993; Aredo, 2004; Begashaw, 1978). Ethiopian people of various ethnicity, social class, gender, age group, and place of residence have used Equub to mobilize financial and social resources. Equubs can be found wherever Ethiopians are found. However, the various forms of Equub found inside and outside of Ethiopia are not studied evenly. While the Equubs found in Ethiopia are well studied, those outside of Ethiopia, especially those in Europe, are neglected (Tadesse, 2020).<sup>1</sup> Furthermore, Equub has not yet been studied in relation to the concept of the commons. The purpose of this study is to examine the nature of Equub in Berlin vis-à-vis the concept of the commons using Ostrom's (1990) design principles for long-enduring Common Pool Resource (CPR) institutions. The study poses the question: How do Equubs in Berlin work as commons? The study employs a single qualitative case study research design and discusses results in relation to the author's personal experience in Equub and research findings from other studies. The results of the study reveal that Equub is an excellent example of the commons and it can be categorized as financial commons. The study also shows that Equub is a way of building community economies and providing support systems for Black minorities in the West.

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<sup>1</sup> The few studies that addressed Equubs outside of Ethiopia were conducted in Canada (Mequanent, 1996), Israel (Salamon et al., 2009), the Netherlands (Lehmann & Smets, 2019), and Germany (Tadesse, 2020; Tadesse & Erdem, 2023).

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## 1. Introduction

Equub<sup>2</sup> is an Ethiopian Rotating Savings and Credit Association (ROSCA) (Aredo, 2004). Like other ROSCAs, Equub is defined as “an association formed upon a core of participants who agree to make regular contributions to a fund which is given, in whole or in part, to each contributor in rotation” (Ardener, 1964, p. 201). In Equub, members come together and decide to contribute a certain amount of money periodically (e.g., every month). The small amount of money contributed by each member at a given meeting helps to create a large sum of money. This large sum is given to each member in a rotation (e.g., every month) (Aredo, 1993, 2004; Begashaw, 1978). In Equub, rotation and regularity are the two basic principles (Ardener, 1964).

Equubs have multifaceted functions. Their most obvious functions are the provision of small-scale saving and credit. Accordingly, they are used to mobilize financial resources. Furthermore, they have a social aspect related to solidarity of kin-group, neighborhood, or friendship. Membership in Equub is based on pre-established connections. Members of a given Equub tend to be similar in terms of, for example, social class, ethnicity, workplace, level of education, or neighborhood (Ardener, 1964; Aredo, 1993; Begashaw, 1978; Mequantent, 1996).

Studies show that Equubs have various advantages for their members, especially compared to formal financial institutions such as banks. The advantages include: timeliness, flexibility, adaptability, low risk of default, low or non-existent administration and transactions costs, saving self-discipline, and financial safety net (Aredo, 1993; Begashaw, 1978; Mequantent, 1996). Equubs make economic sense. Furthermore, they enable collective action and strengthen social relations of members, thereby creating a sense of belonging and a sense of ownership (Aredo, 1993; Mequantent, 1996).<sup>3</sup>

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2 Equub (እቂብ) is an Amharic term for Ethiopian ROSCA. Different forms of spelling can be found in the literature, including equb, iqub, iqqub, and iquib.

3 For further discussion on the nature of Equubs and other ROSCAs, see recent publications by Tadesse and Erdem (2023), Hossein and Bonsu (2023), Hossein et. al., (2023), Hossein and Christabell (2022), Lehmann and Smets (2019).

The above discussion gives the impression that Equubs have features of the commons, which can be defined as “a shared resource, which is co-owned and/or co-governed by its users and/or stakeholder communities, according to its own rules and norms” (Baunwens & Niaros, 2018, p. 5). Nevertheless, Equubs and other ROSCAs have not been studied in relation to the concept of the commons. The objective of this study is to contribute toward filling such a gap by empirically examining the nature of Equub in Berlin in relation to the concept of the commons. Accordingly, the study poses the question: How do Equubs in Berlin work as commons?

## 2. Theoretical Framework

In this study, Equubs are examined in relation to the concept of Commons. Commons involve a combination of three important elements, i.e., an object of cooperation (shared/pooled resource), an activity (commoning practices to maintain/co-produce the resource), and a mode of governance (co-government by members) based on own rules and norms. Therefore, the notion of commons is different from private and public/open-access arrangements of resources (Baunwens & Niaros, 2018).

The commons can be based on natural or man-made resources (McGinnis & Ostrom, 1996). With regards to this, there are different types of commons, i.e., cultural heritage commons (language, education, spiritual teaching); natural resource commons (ocean, forest, atmosphere); global and local knowledge commons (free software, open design); social commons (mutualizing risk); and productive commons (cosmo-local production) (Baunwens & Niaros, 2018).

There has been a debate regarding whether the idea of commons is valuable. On the one side, people such as Hardin (1968) considered commons as a tragedy, incompatible with humans’ selfish and rational nature. For Hardin (1968), commons lead to overuse of resources and ruin. He claimed that resources are best managed when there is some sort of coercive force outside individual psyches, such as the capitalist economy (private property). On the other side, people like Ostrom (1990) convincingly demonstrated how com-

mons can (1) be successfully managed by local people without any regulation by central authorities or privatization and (2) help secure sustainable joint benefits for participants.

Bollier (2016) also argued that the idea of the tragedy of the commons was not about the commons in the first place. Instead, it was about an open-access regime, which is free for all and which can be prone to resources overuse and ruin (2016). Unlike the open-access regime, the commons has features that makes it resilient to resources overuse and ruin. These features include membership, rules, responsibilities, ways of governing, and monitoring and sanctioning methods (Bollier, 2016; McGinnis & Ostrom, 1996). The commons can also help to de-commodify or mutualize the provisioning of needs. Accordingly, the commons can be valuable in relation to wealth and income equality, racial and gender equality, ecosystem stewardship, and good governance (Bollier, 2016).

For the purpose of this study, Ostrom's (1990) "design principles for long-enduring CPR institutions", is employed to analyze the studied Equub. Using an institutional approach and a meta-analysis of existing case studies on agricultural production systems in different countries, Ostrom (1990) explained how sustainable resource governance is possible by communities of individuals.

According to Ostrom (1990), robust CPR institutions exhibit eight design principles. She defines "design principle" as "essential element or condition that helps to account for the success of these institutions in sustaining the CPRs and gaining the compliance of generation after generation of appropriators to the rules in use" (1990, p. 90). The design principles include: clearly defined boundaries; congruence between appropriation and provision rules and local conditions; collective choice arrangement; monitoring; graduated sanctions; conflict resolution mechanisms; minimal recognition of rights to organize; and nested enterprises (Ostrom, 1990). This chapter argues that excepting nested enterprises (which is applicable only for CPR institutions that are part of a larger system), all the other principles of commons are clearly evident in the studied Equubs in Berlin and other Equubs elsewhere.

### 3. Methods

This study was conducted in 2018 on an Equub established by Ethiopian immigrants in Germany. Germany, together with Sweden, was the eighth top destination country for Ethiopian immigrants (Pew Research Center, 2018). The total population of Ethiopian immigrants in Germany was estimated to be 19,075, with 10,420 males and 8,655 females (Destatis, 2017). Most of the Ethiopian immigrants were found in big cities like Frankfurt, Berlin, Cologne, Munich, Würzburg, and Nuremberg (GIZ & CIM, 2015).

In this study, a single qualitative case study design was used. The case was one of the Equubs found in Berlin, Germany. The study employed a single-case study design mainly because the selected case was a common case (Yin, 2018). Like many other Equubs, the studied Equub was established and run by a small number of (10) Ethiopian immigrant women.<sup>4</sup> Data was collected from one of the most experienced members of this Equub through a semi-structured telephone interview that was followed by several short informal follow-up interviews, conducted in the Amharic language. The interviews were tape-recorded, transcribed verbatim, and translated into the English language. Both the Equub and the individual participant, as well as the city of Berlin, were selected for this study based on convenience. The collected data were analysed and discussed using thematic analysis in relation to the “design principles of CPR institutions” (Ostrom, 1990), the author’s personal experience in Equub, and the findings of other studies. Ethical considerations such as confidentiality, anonymity, and no harm to participants were maintained.

### 4. Results and Discussion

In this section, the results of the study are discussed based on Ostrom’s (1990) “design principles for long-enduring CPR institutions”, the author’s personal

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<sup>4</sup> In many Equubs, a small size (up to 12 members) or a one-year time period for a single Equub cycle is the most common phenomenon. Furthermore, the dominance of women in Equubs is well documented in the ROSCA literature (Tadesse, 2020).

experience as a former Equub member in Mizan-Teferi, Ethiopia, and results of other studies on Equubs and ROSCAs.

#### 4.1 Clearly Defined Boundaries

The principle of clearly defined boundaries is the first step in organizing any CPR institution. According to Ostrom (1990), this principle demands that “individuals or households who have rights to withdraw resource units from the CPR must be clearly defined, as must the boundaries of the CPR itself” (p. 90). Specifying right-holders/members means closing the CPR institution to “outsiders” (excluding others from access and appropriation rights). In other words, CPR institutions are not “open-access” institutions. Doing so contributes to reducing the risk of exploitation by others and the destruction of the resource itself (Ostrom, 1990).

Likewise, the Berlin Equub (and other ROSCAs) had “clearly defined boundaries” both in terms of (1) the people who have the rights to engage in appropriation activities (Equub members) and (2) the boundary of the CPR (the kitty that is collected and distributed regularly as well as the total amount of money used in a given life cycle). Furthermore, a given cycle of an Equub helps to define the boundaries of an Equub.

For instance, the membership aspect of Equubs looks as follows. The Berlin Equub was an informal financial institution established and run by 10 women of Ethiopian origin living in Berlin. Although all members were women in the Berlin Equub, they participated in the Equub representing their families. Of the 10 members, nine had husbands and one was a single mother. All members were also Ethiopian Orthodox Christians who regularly went to church. The members of this Equub knew each other very well and most of them were close friends. Membership in this Equub was based on friendship and trust. The membership criteria in this Equub appeared to be a combination of country of origin (Ethiopia), gender (female), religion (Orthodox Christianity), and friendship.

Likewise, the Mizan-Teferi Equub the author participated in (in 2011), had similar features of membership. This Equub was established and run by five male university teachers (Graduate Assistants) who worked together at Mizan-Tepi University and lived in the same neighborhood. The unwritten mem-

bership criteria in this Equub seemed to be a combination of gender, profession, status within the profession, place of residence, and friendship.

Other studies on Equubs and ROSCAs also showed similar patterns in relation to membership – size of membership, homogeneity of members, importance of friendship and trust, etc. (Ardener, 1964; Ardener, 2014; Areo, 1993; Areo, 2004; Mequantent, 1996). For example, Hossein (2017) and Gugerty, (2007) reported that many, if not most, ROSCAs prefer to have smaller size in order to finish their cycles in one-year time period. According to Ardener (1964), criteria of membership in ROSCAs can be based on one or more of the following – sex, age, kinship, ethnic affiliation, locality, occupation, status, religion, education, and political affiliation.

In the case of the boundary of the CPR (the kitty), it was noted that the purpose of the Berlin Equub was to meet mainly the financial needs of individual members and their families, i.e., to save money and get interest-free credit. The same was also true for the Mizan-Teferi Equub and other Equubs found in and outside of Ethiopia (Areo, 1993; Areo, 2004; Begashaw, 1978; Bisrat, Kostas & Feng, 2012; Kedir, 2005; Mequantent, 1996 Yimer et al. 2018). Similar patterns were also observed in most other ROSCAs (Ardener, 1964; Ardener, 2014; Besley, Coate & Loury, 1993; Bouman, 1977; Bouman, 1995; Gugerty, 2007; Hossein, 2013, 2014, 2016, 2017).

Saving and interest-free credit were possible in the Berlin Equub because all members (10) had to monthly contribute an equal amount of money (300 Euro) for a given cycle of the Equub (10 months). This means, every month, there was 3,000 Euro collected and delivered (as kitty) to one of the members. This also means that the Equub would collect and distribute a total of 30,000 Euro in a given cycle. Similarly, in the Mizan-Teferi Equub, all members (5) monthly contributed equal amount of money (500 Birr)<sup>5</sup> for a given cycle of the Equub (5 months). Accordingly, every month, there was 2,500 Birr collected and delivered to one of the members. The total amount of money collected in the given cycle was 12,500 Birr.

<sup>5</sup> Birr is the official currency of Ethiopia. In 2012, 1 Birr was exchanged for approximately 0.023 Euro (NBE: <http://www.nbe.gov.et/market/banksexchange.html>)

In both examples, the collected and distributed money, both monthly (e.g., 3,000 Euro and 2,500 Birr) and during the given Equub cycles (e.g., 30,000 Euro and 12,500 Birr), can be considered as the CPR of the Equubs. In relation to this, it is important to note that in some other Equubs/ROSCAs, the contributions and kitty can be in kind or both in kind and cash (Ardener, 1964).

Finally, the given cycles of each Equub can be considered as another aspect of the boundary of Equub. Both the Berlin and Mizan-Teferi Equubs had relatively short duration of their cycles (10 and 5 months, respectively). As mentioned earlier, such short cycles were common since many Equubs and ROSCAs want to conclude their cycles within a year. Hossein (2017), found in her study of ROSCAs in Canada that a one-year time period was most common. Gugerty (2007), in her study of ROSCAs in Kenya, also found that the average duration of ROSCA cycle was 11.4 months.

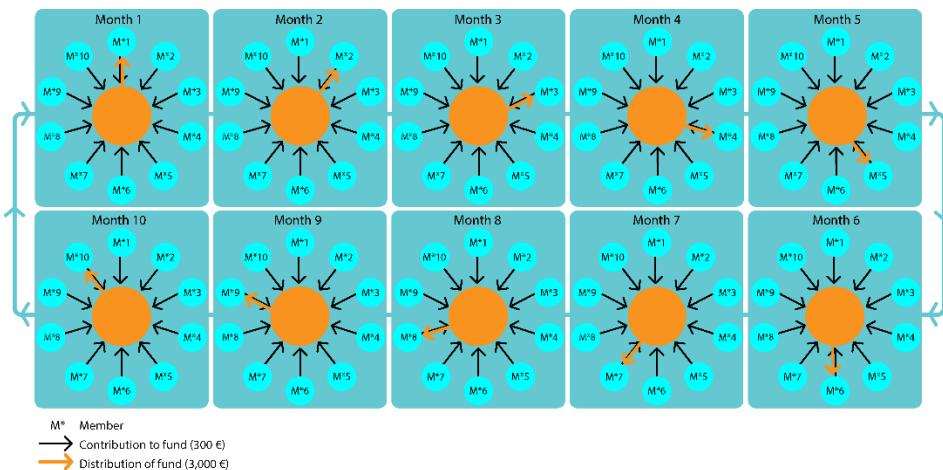


Figure 1 – Contribution to and distribution of the fund in the Berlin Equub to 10 members in the course of 10 months

## 4.2 Congruence Between Appropriation and Provision Rules and Local Conditions

Congruence between appropriation and provision rules and local conditions is the second principle. This principle entails that “appropriation rules restricting time, place, technology, and/or quantity of resource units are related

to local conditions and to provision rules requiring labor, material, and/or money" (Ostrom, 1990, p. 90). Appropriation rules refer to the benefits and rights of members while provision rules are about cost and duties to be borne by members (McGinnis & Ostrom, 1996; Ostrom, 1990).

This principle was also observed in the studied Equub in Berlin. The Equub had clear appropriation and provision rules. These rules were unwritten and based on the Ethiopian tradition of Equub, local conditions in Berlin, and mutual consensus among members.

For example, in the case of provision, the rules specified that: each member (10) should contribute 300 Euro per month (for 10 months); contributions should be made in cash to the Dagna/Sebsabi (president) of the Equub, who facilitates the Equub activities; no compensation should be paid to the Dagna; and the money should be collected on Sundays, at the building of the Ethiopian Orthodox Church in Berlin, after church services (however, personally going to the church to make contributions or to receive the kitty was not mandatory. Both could be done through friends.)

The Mizan-Teferi Equub also had its own unwritten provision rules: every member (5) should contribute an equal amount of money (500 Birr) per month (for 5 months); contributions should be made in cash directly to the receiver of the kitty at his house or the university campus or somewhere else (since there was no Dagna); and contributions should be made immediately after members received their salary from the University (however, members were not expected to gather at the same place to make the contributions).

In the case of appropriation, the Berlin Equub rules specified that each month, the collected money ( $300 \times 10 = 3000$  Euro) should be given in cash to one of the members using lottery method. However, it was not a must for all members to attend the lottery drawing ceremony. If necessary, the Dagna could do the drawing by herself and inform other members using a messaging application called Viber. Most important was that both the contribution and the awarding of the kitty should be made on the same day. Also, a member, who receives the kitty before others, should continue making her monthly contributions until the end, until everyone else receives the kitty and the Equub cycle is concluded. And, others who have not yet received the kitty, should wait for their turn to receive the kitty while making their monthly contributions. In

case of emergency, a member could request to be given the kitty in advance, without the lottery process. In this case, other members are expected to give her priority without seeking compensation for doing so. If a member wants to leave the Equub before the Equub is concluded, she must wait until the end of the cycle to collect her contributions.

The Mizan-Teferi Equub also had the following appropriation rules. The winners of the kitties for all the five months should be determined in advance (at the beginning of the cycle) using lottery method. Each month, all members made a payment of 500 Birr to the receiver of the kitty by going to his house, office, etc. Accordingly, this person should get a total of 2,500 Birr ( $500 \times 5$ ), including his contribution. The kitty should be given to the receiver immediately after members get their salary from the University. A Member, who receives the kitty before others, should continue making his monthly contributions to the receivers of the following months, until the end. However, in case of emergency, a member can be given priority to take the kitty before his turn, without paying any fees.

One interesting rule (in both provision and appropriation cases) noted in the Berlin Equub was that members were not allowed to use formal financial institutions (e.g., banks) for making contributions and receiving the kitty. Although the reason behind this rule needs further investigation, the reason might be related to the status of Equub members as immigrants and people of African descent, which makes them one of the most vulnerable and marginalized groups in Germany (European Union, 2018; Hossein, 2018a; OHCHR, n.d.). In this case, it could be expected that some of them might not have proper access to formal financial institutions. Some others might not want the government to know about their finances. Or, for some, formal financial institutions might not be advantageous for saving and borrowing. Similarly, in the Mizan-Teferi Equub, even though the use of formal financial institutions was not a problem, banks were not used to make contributions and receive the kitty. Both were made in cash and in person. However, all members had a bank account and received their salary from the same bank. Many of them put their Equub money in the bank until they used it to buy what they wanted. In both Equubs, the same processes were expected to be repeated every month, for 10 or 5 months, until all members have received the kitty. Once a

given cycle is concluded, decisions should be made whether to start a new cycle. For example, in the case of the Berlin Equub, at the end of the 10th month, the existing cycle would be concluded and a new cycle would be started. In this case, some existing members could leave, and new members could be added. Some 15-20 people were expected to participate in the upcoming cycle of the Berlin Equub. On the contrary, the Mizan-Teferi Equub was discontinued at the end of the 5th month since members were able to buy what they wanted (e.g., laptop computers).

In general, it can be asserted that the rules of the Berlin Equub have similarities and differences with other Equubs found in Ethiopia and other countries. The similarities are there because Equubs have the same origin and they use similar fundamental principles. The differences are there since all Equubs considered their local conditions including the place and the size of the Equub. For example, some of the major similarities include – regular contributions were made into a common pool; funds were withdrawn on a rotational basis (Aredo, 2004); monthly contribution and withdrawal of Equub money was most common (Kedir, 2005); trust and mutual obligation were valued; priority was given to members who had pressing needs; member who defaulted or wanted to quit were made collect the kitty at the end; possibility of starting a new cycle was common; formal financial institutions were not used in many Equubs; no deduction was made from the kitty to cover expenses in many Equubs (Aredo, 1993; Mequantent, 1996).

In case of differences, the following were observed in other Equubs: many Equubs in Ethiopia had written by-laws; new members were required by many Equubs to bring guarantors to deal with potential default; contribution and drawing ceremonies were held in many Equubs; kitties can be sold by a willing winner to those who want the kitty before their turn by charging 3 – 10 % of the kitty in big Equubs; many Equubs had presidents and secretaries who were paid; members who collected the kitty last were compensated to deal with the issue of opportunity costs in many big Equubs, the kitty could be paid via banks in big Equubs; arrangements called “half kitty” in which two persons with financial difficulties could jointly become a member of an Equub (as a single person) and share contributions and the kitty were common in many Equubs; and non-kitty money – money raised by selling lots, extra

monthly contributions (special funds), and deductions made from the kitty – were used in some Equubs to cover various expenses such as salaries for the president, food and drinks, and the premium for the last kitty collecting members (See Aredo, 1993; Mequenant, 1996; Yimer et al., 2018).

### 4.3 Collective Choice Arrangement

The third principle is collective choice arrangement, which entails that “most individuals affected by the operational rules [of the CPR institution] can participate in modifying the operational rules (Ostrom, 1990, p. 90). This principle is about participation by members of a given CPR institution in terms of decision making and designing or modifying of own rules. CPR institutions are known for their governance approach which is horizontalist and democratic (McGinnis & Ostrom, 1996; Ostrom, 1990). One advantage of this principle, according to Ostrom (1990), is that it enables members to tailor their rules to local circumstances.

Similar collective choice arrangement was observed in the studied Equub in Berlin. The initiative to establish this Equub was taken by one member who called some of her friends and informed them about the need for Equub. Those who accepted her idea brought their other close friends and established the Equub. While doing so, they agreed on the unwritten rules of the Equub discussed above, which was largely based on the fundamental principles of the Ethiopian tradition of Equub and the local circumstances. They also selected one of the members as the Dagna of the Equub to coordinate Equub activities. When something unforeseen occurred after the Equub was started, they came together and decide on what to do.

Likewise, in the Mizan-Teferi Equub, the idea to establish the Equub was brought by one of the members who wanted to buy a laptop computer. This person informed and convinced his close friends about the importance of establishing the Equub, i.e., how one could easily acquire a laptop or other electronic devices or furniture using Equub fund. Those who were convinced by his idea agreed to start the Equub. Accordingly, they discussed and approved the rules of the Equub based on the principles of the Ethiopian tradition of Equub and their local conditions in Mizan-Teferi. They also agreed that all

members would come together and make decisions if unpredicted situations happened in the future.

Mequantent (1996) also observed similar processes among members of various Equubs in Toronto.

The initiative to establish an iqub is often undertaken by two or three individuals. They meet and discuss rules and regulations, the amount of contributions which are affordable to would be members and the frequency of payment. These individuals share their proposed idea with others. A Dagna or president is elected. A date and time is set. (p. 32)

In the Berlin Equub, the presidency was the only administrative position. However, the Dagna did not have any special authority other than facilitating the collection and distribution of the Equub money. All members actively engaged in various activities of the Equub including in monitoring and sanctioning of other members. The Mizan-Teferi Equub did not have any administrative position. All members equally participated in various activities of the Equub. In both Equubs, there was a very simple and horizontal organizational structure. One factor that facilitated such an arrangement was the small size of the Equubs. The size of these Equubs (10 and 5 members, respectively) was smaller than the size of the Equubs in Toronto (e.g., 12–20 members) (Mequantent, 1996) and the big traders' Equub found in Ethiopia (e.g., more than 100 members) (Aredo, 1993). The big traders' Equub, according to Areo (1993), were more formal and their presidents and secretaries had more authority. Yet, in general, the importance of friendship, equality, voluntary association, and trust can easily be observed in all Equubs discussed above (Aredo, 1993; Mequantent, 1996).

In relation to this, Mequantent (1996), noted that Equub (and other Ethiopian informal institutions) had three main characteristics, i.e., (1) members define their own needs and finance their activities; (2) values and norms encourage solidarity; and (3) competitions and intrigue for power were absent. In other ROSCAs, Ardener (2014) noted that joint decision and joint responsibility by members (e.g., the decision on the size of the contribution and the order of

receiving the fund, and the responsibility for ensuring probity) were very important aspects of the ROSCA she studied.

#### 4.4 Monitoring and Graduated Sanctions

Monitoring and graduated sanctions are the fourth and fifth design principles, respectively. In the case of monitoring, according to Ostrom, “monitors, who actively audit CPR conditions and appropriator behavior, are accountable to the appropriators or are the appropriators” (1990, p. 90). In the case of graduated sanctions, “appropriators who violate operational rules are likely to be assessed graduated sanctions (depending on the seriousness and context of the offense) by other appropriators, by officials accountable to these appropriators, or by both” (Ostrom, 1990, p. 90). In robust CPR institutions, both monitoring and sanctioning are carried out by members themselves who made the rules, not by external authorities. Accordingly, the cost of monitoring is low. Initial sanctions are also low (Ostrom, 1990, p. 90).

Having a system of monitoring and sanctioning is important for Equubs since they can face various problems in relation to the violation of rules. According to Aredo (2004), the problems Equubs may face include, among others, embezzlement, unfair practices (arbitrary fixing of the order of rotation), and lack of transparency and accountability.

The Berlin Equub did not face any of the serious problems identified by Aredo (2004), but relatively easier challenges. In some cases, some members failed to make the contribution in time. One member also wanted to quit the Equub in the middle of the cycle, before receiving the fund. In both cases, all members monitored the implementation of the Equub rules and imposed sanctions. For example, when members failed to make the contribution in time, others made phone calls to give them warnings and deadlines to pay. When one of the members decided to leave, others came together and enforced the rule that required a leaving-member to wait until the end of the Equub to collect her contributions.

Similar monitoring and sanctioning methods were also observed in other Equubs found in Ethiopia. In the Mizan-Teferi Equub, for example, members conducted the monitoring by reminding each other about making the contributions in time, saying something like: “today our salary is being paid at the

Bank. Therefore, let's not forget to give the Equub money to this month's winner." In this Equub, no incidence of sanction was observed since each member respected the rules.

Here it is important to note that, in other (especially big) Equubs in Ethiopia, the presidents and the secretaries played a significant role in facilitating the monitoring and sanctioning process. In many cases, the presidents and secretaries were compensated for their contributions in different ways (Aredo, 1993; Begashaw, 1978; Yimer et al., 2018).

The above-discussed methods are not the only ways to do monitoring and sanctioning in Equubs and ROSCAs. Other Equubs and ROSCAs used additional methods of monitoring and sanctioning. These include screening members before admission; putting strict conditions when money is collected by a winner (e.g., by requiring personal guarantees); placing less reliable members (including those who are unable to present guarantors and those with any defaults) towards the end of the rotation or giving them half their share when winning (and the other half at the end of the rotation); small and graduated monetary penalty (e.g., for nonattendance, late arrival, late contribution, default); excluding/banning transgressors from participating in the lot; social exclusion in case of default; obliging guarantors to cover the default; and getting support from outside (e.g., from courts) in the case of enforcing penalties (Ardener, 1964; Ardener, 2014; Areo, 1993, 2004; Begashaw, 1978; Mequantent, 1996; Smets, 1998; Yimer et al., 2018).

In addition to the above mutual/peer monitoring and sanctioning, Equubs and other ROSCAs are famous for their ability to enable self-commitment/self-discipline among their members. What enabled this is the nature of Equubs and ROSCAs themselves, which is characterized by friendship, trust, voluntary participation, collective action, solidarity, and social pressure not to default, etc. (Ambec & Treich, 2007; Ardener, 1964, 2014; Areo, 1993, 2004; Begashaw, 1978; Bisrat et al., 2012; Mequantent, 1996; Gugerty, 2007; Yimer et al., 2018)

Ostrom (1990) argued that monitoring and sanctioning are natural by-products of using the commons. This was the case in Equubs and other ROSCAs because they enabled both self-commitments and mutual/peer monitoring and sanctioning, which, according to Ostrom (1990), reinforced each other.

The above discussions shows that Equubs and ROSCAs had features of the pillars of cooperative governance such as teaming (working together to achieve a common purpose), accountable empowerment (empowering people while at the same time holding them accountable for the power granted), and democracy (ensuring that all members have a voice in decision-making) (Scholl & Sherwood, 2014).

#### 4.5 Conflict Resolution Mechanisms

The sixth design principle is conflict resolution mechanisms. In robust CPR institutions, Ostrom (1990) found that “appropriators and their officials have rapid access to low-cost local arenas to resolve conflicts among appropriators or between appropriators and officials” (p. 90). These mechanisms, according to Ostrom (1990) could be informal (with leaders of the institutions being the basic resolvers of conflict) or formal (with well-developed court mechanisms). In the studied Berlin Equub, friendship, family ties, and mutual trust were emphasized to resolve conflicts. In this case, elderly people and friends were used as mediators. According to the interviewee, no formal legal process (e.g., court) would be used to resolve conflicts. Members would not want to go to the court to avoid the long bureaucratic processes. Furthermore, because there were no formal contracts and financial transactions, sufficient evidence would not be available to be used by the courts. Similar mechanisms (including the avoidance of courts) were emphasized in the Mizan-Teferi Equub (although there was no incidence of any conflict) and in the Canada Equubs (Mequenant, 1996).

However, other Equubs and ROSCAs in Ethiopia and other countries made use of the formal court mechanisms (Ardener, 1964; Aredo, 1993; Yimer et al., 2018) or other special legislation (Ardener, 1964). For example, Yimer et al. (2018) found out that different Equubs in Tigray (Ethiopia) used courts, which considered the internal rules of Equubs (e.g., fines) as valid and enforceable on the ground of customary law, even if they contradicted formal laws. Yimer et al. (2018) also observed that one of the reasons why Equub members had a high level of confidence was because of the belief that members could enforce their right in the court if necessary.

It is noted that Equubs and ROSCAs tended to use the formal court mechanisms rarely, as a last resort. For instance, in one Equub in Ethiopia, only two cases of default were taken to court in eight years (Aredo, 1993).

#### 4.6 Minimal Recognition of Rights to Organize

Minimal recognition of rights to organize is the seventh principle. This principle shows that “the rights of appropriators to devise their own institutions are not challenged by external governmental authorities” (Ostrom, 1990, p. 90). In her study Ostrom found that in robust CPR institutions appropriators devised their own rules without government intervention and enforced them accordingly. What these institutions needed from the government was minimal recognition to the legitimacy of such rules. If the government tried to make and enforce the rules by itself, sustaining the CPR institutions would be very difficult.

The studied Equub in Berlin was autonomous and functioned independently of the government. It had no connections to the governmental bureaus, and it even tried to avoid any connection with them. At the same time, the government did not create any trouble for the Equub.

Similarly, other Equubs in Ethiopia (including the Mizan-Teferi Equub) and in Canada were autonomous and functioned independently of the government. Nevertheless, in Ethiopia, Equubs and other indigenous institutions were fully recognized by both the government and tradition (Aredo, 1993; Yimer et al., 2018). Such recognition could be to the extent that formal courts would consider internal rules of Equubs as valid and enforceable on the ground of customary law, even if they contradict formal laws (Yimer et al., 2018).

In Germany (and other Western countries), however, Equubs and other ROSCAs are not officially recognized. Such a lack of recognition could cause serious challenges for Equubs and ROSCAs. Other studies identified challenges that have to do with a lack of recognition of and awareness about Equubs and ROSCAs. For example, Hossein (2017) found in Canada that there were negativity, misperception, and stigmas surrounding ROSCAs and the work of ROSCA members. She noted that some stakeholders in the formal sector (e.g., bankers, finance experts, policymakers) considered ROSCAs as a guise for il-

legal activity and characterized them as “gambling,” “money laundering,” or “pyramid schemes.”

Given their contribution to society and the economy, especially in terms of diversifying finance, and in light of the current financial/banking crisis, there is a need for officially recognizing Equubs and other ROSCAs in Germany and other Western countries.

Prominent scholars and international agencies in the field of Social and Solidarity Economy (SSE) recommend that SSE initiatives and entities such as Equubs and ROSCAs should be recognized and supported. For example, Elsen (2018) underscores the need for recognizing and supporting grassroots SSE entities since they play a central role in eco-social transformation. “Citizens’ participation and self-organization are key to being able to cope with current and upcoming challenges. The recognition and facilitation of citizen’s creativity in cooperative self-organization in all realms of community life can lead to a new understanding of prosperity” (Elsen, 2018, p. 10–11).

Also, according to the United Nations Research Institute for Social Development (UNRISD), in order to realize the potential of SSE entities such as Equubs and ROSCAs, “it is important that governments and parliaments put in place laws, policies, programmes and institutions that formally recognize SSE organizations, support their creation and development, and level the playing field in which they operate” (UNRISD, 2016, p. 121).

## 5. Conclusion

The results of the study show that the Equub in Berlin is an excellent example of the commons (CPR institutions). The same could also be true for other Equubs in other places. Of the five different types of the commons discussed earlier, the Equub could resemble the social commons. In the social commons, according to Baunwens and Niaros (2018), members are forced to mutualize risk and strengthen their collective power because they live in a socioeconomic system dominated by market-based capitalism while having no direct access to natural resources or means of production. Categorizing Equub as social commons makes sense. However, a more appropriate way of categoriz-

ing Equub would be based on its financial nature since the CPR in Equub is the Equub Money. Accordingly, Equub can be categorized and labeled as “Financial Commons” or “Financial CPR Institution” (FCPRI).

The study also shows that Equub can be an effective way of building community-based economies and providing support systems for Black minorities in the West. The author recommends that the government and the public in Germany and other countries should recognize and encourage the use of Equub and other ROSCAs because these financial systems can help to diversify and democratize finance. This can lead to more equitable access to financial resources for underrepresented groups.

## 6. Limitation

This study has a limitation in terms of its generalizability. The study used a single-case study design, which makes it difficult to generalize its results to a wider population. Therefore, further studies are needed that involve multiple cases (i.e., different Equubs and other ROSCAs). Additionally, future research could consider other theories of commons than Ostrom's (1990) “design principles for long-enduring CPR institutions.”

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