

Banking on Community: Indigenous Credit Associations in Eritrea

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ABSTRACT:

Africans have long-established social and economic mechanisms to cope with large financial demands. This project explores one such risk-sharing institution—indigenous credit associations (ICAs)—based on primary data collected in Eritrea, where ICAs are known as *ekubs*. We compare their institutional design in three geographical settings and identify factors that contribute to their functional success. This study demonstrates that ekub associations are an important form of social capital by which to distribute locally generated capital, ameliorate poverty, and resolve the economic problem of purchasing indivisible goods. Ekubs also are a key source of community; they build, bridge, and bond Eritrean society by drawing together people of different ages, genders, and ethnic backgrounds.

Key words: indigenous credit associations, Eritrea, *ekub*, social capital

Last night Joseph had a dream—the long awaited wedding of his oldest son . . .

This morning he woke to harsh realities—
He is in one of the 10 poorest countries of the world . . .
His day wages are equivalent to 43 cents . . .
And he needs \$150 dollars to fulfill his dream
to finance his son's wedding.

Joseph weighs his options—
Nothing to sell . . . Banks don't make loans to day laborers . . .
No relatives to help . . .
Borrowing from a money lender is illegal . . .
A 7-year wait for the government micro-credit program . . .

How to make his dream a reality? . . .

His only assets seem to be labor and time . . .

How else can Joseph finance the wedding?