

Role of 'Iqqubs' in Private Business Start Up and Development of SMEs with Reference to Arba Minch, Ethiopia

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Abstract

This paper provides the role of Iqqub in business start-up and development in small and medium enterprises in Arba Minch. Iqqub plays a prominent role in the business start up and development with regard to providing credit without interest or at lower interest, sharing ideas with others, enforced saving mechanism, providing credit without mortgage. The Iqqub members are getting more benefit than iqqub organizers and their source of income is trade and manufacturing. The results of the study found that the private businesses prefer iqqub rather than financial institutions mainly due to obtaining credit without interest. The trustfulness of the members for the rules they agreed on and accepting person for collateral instead of collateral for fixed asset are the experiences to be learned from iqqubs by formal financial institutions and government.

Keywords: Iqqub; Members; Start Up; Incomes; Small and Medium Businesses.

Introduction

Background of Study

The sources of financing for business within different levels are own deposit, saving, properties transfer from families and loan from formal and informal financial institutions. The formal financial institutions such as banks are not encouraged by the poor and low income society because as indicated by Dejene (1993) "high costs per transaction, complex bureaucratic lending procedures, elaborate paper work, high collateral requirements and delays are some of the factors which militate against effective utilization of the existing banking facilities".

Iqqub is one of informal financial institutions that highly encouraged in rural areas and at low income society in urban areas. Dejene Aredo (1993) describes "iqqubs" as "In the literature, the "Iqqub" is conceived as a form of traditional savings institution.

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These descriptions suggest that the "iqqub" is a savings association where each member agrees to pay periodically a small sum into a common pool so that each, in rotation, can receive one large sum".

On the other hand Temesgen Teshome (2008) defined "Iqqubs" as "the traditional instrument for financing households for social or investment purposes and are very common among Ethiopian community". Indigenous informal financial institutions such as "iqqubs" are used to finance household consumption, start-up capital for investment for very small-scale medium sized business enterprises. Therefore the poor and the low income people use informal financial institutions in Ethiopia as well as in Africa for the business start up and development.

But this study is engaged in the role of "Iqqubs" in private business start up and development in case of small and medium size businesses at Arba Minch Town which are the formal finance sectors do not take attention and encourage to entering into the economy of the country.

Statement of the Problem

The informal financing sector is one of the neglected areas by many researchers; as a result it is difficult to find ample researches in this area. Research

on the informal financing sector is limited in number and depth compared to the bulk of researches conducted in the formal financial sectors. Although, limited researches on informal financing sector in Addis Ababa conducted by Temesgen (2008), in the Role And Potential of 'Iqqub' In Ethiopia and by Dejene (1993), in the Informal And Semi- Formal Financial Sectors In Ethiopia: A Study of the Iqqub, Iddir, and Savings and Credit Co-Operatives, the degree of businesses benefited from " iqqubs" have not been discussed, but they have been taken attention on the role of "Iqqubs" from the perspectives of gains from saving.

But this paper takes attention on the role of informal financing sector particularly "Iqqubs" in private business start up and development in case of small and medium scale businesses regarding trust in the members of iqqub. Bringing to light the role of this informal finance sector regarding non-financial benefits in addition to financial benefits considered by other researchers might waken up the formal finance sectors and suggest policy adjustment for regulatory bodies.

Objective of the Study

- The objective of the study was to describe the role of "Iqqub" in private business start up and development in small and medium sized businesses at Arba Minch Town.
- To identify the role of 'Iqqubs' in businesses start up and growth, especially of small and medium scale businesses and identify the types of businesses supporting by iqqubs.
- To identify why do private businesses choose the informal sectors to start up and develop business rather than the formal sector for financing and share the experience to formal finance;
- Finally, suitable findings and recommendations wants to be given.

Scope of the Study

The scope of the research is really a broder area but for the study puprpose researchers has taken study confined to Arba Minch Town on five "Iqqubs". With this regard Hailu Mengist, Azmera Alto and Tarekegn Worku "Iqqubs" are considered as large, Daga Darge "Iqqub" is considered as medium and Balila Bekele "Iqqub" is considered as small.

Limitation of the Study

The research is really a broder area but for the study

puprpose researchers has taken study confined to Arba Minch Town on five "Iqqubs". The business men out of the members regarded "Iqqubs" were not the concern of this paper. The members of "Iqqubs" were collected once a week. This has taken time to get the respondents and for data collection. On the other hand since the respondents are merchants, they have not returned all the questionnaires due to the lake of time they stay in the town.

Significance of the Study

This time the informal finances such as "Iqqubs" play the significant role in the economy and investment in the country. But this role has been neglected or overseen by the government, formal finance sectors and scholars. This study will give information to the government to use the experience such as trustfulness, providing continues support for the members by the leaders of the informal finance in the policy and strategy formulation.

Review of Literature

Stephenson defined business as, "The regular production or purchase and sale of goods undertaken with an objective of earning profit and acquiring wealth through the satisfaction of human wants.

What is Private Business Start Up?

In the business start up and resource guide (February 2014) the business start up is referred as "While owning a business may be a personal dream for many, managing a business may prove difficult because of a lack of prior business ownership, experience or management skills. An honest self-evaluation will allow you to assess your personal characteristics and determine your willingness to meet the demands of owning your own business". This money may come from the profit retained by the organization, the borrowing from the formal financial sectors such as banks, as well as informal finance sectors such as "Iqqub". This paper takes consideration on the role of "Iqqub" in business start-up and development in case of small and medium sized businesses at Arbaminch Town, Ethiopia.

What are the Features of Financial Sectors?

Udry Christopher and Aryeetey Ernest (1995) described the features of formal and informal

financial sectors contrasting that the informal financial sectors have higher interest rates and require the higher collateral in Africa, for example the authors referring that the interest rate of informal finance sectors in Ghana per year reaches up to 100%.

What is "Iqqub"?

In Ethiopia informal financial institutes have long history even though the studies have not been made in last many years. "Iqqub" is one of informal financial institutions in Ethiopia. It is established in urban and rural areas in the country for different purposes and in different size. Zeleke Worku (2013) explained that;

Small and medium-sized enterprises often seek financial assistance from informal financial schemes called "iqqub". These are indigenous, informal money lending associations that are similar to social capital schemes that operate in the rest of the world. Iqqub schemes lend money to fellow members of the scheme free of interest, and operate based on mutual trust.

From the ten years study investigate the reason for the long existence of small and medium sized enterprises Zeleke Worku(2013) described the role of informal finance such as iqqub;

At the end of the second round of study, 86 of the 407 businesses (21.13%) were out of business, mostly due to lack of access to finance required for routine operation, poor managerial skills, as well as poor technical skills. Businesses that survived the 9-year study period were characterized by extensive utilization of finance raised from the informal financial sector (p.142). Therefore the study indicates that the informal financial sectors benefit the business to extend the life in the market.

Teshome (2008) described cost of Iqqub, as "the study of transacting in an 'Iqqub' has its own cost. These costs can be classified as implicit and explicit costs. An Implicit cost includes opportunity cost while explicit costs include service charges, transaction costs and cost of buying 'Iqqub' lot".

Research Design and Methodology

The Study Area

Arba Mich Town is one of the top cities in SNNPR region. Here so many iqqubs are operating by the people. From this information researchers wants to

see that the majority of business men at Arba Minch Town are small business group which could not have asset to give for collateral to get finance from formal finance sectors to starting up business.

Population Sampling Design and Techniques

Since "Iqqubs" are not formally organized institutions, it was difficult to get the actual number of "iqqubs" in the town. Therefore, Selection of iqqubs was made based on informal information that the researcher got and forced to use the popularity as a major criterion. Accordingly the researcher selected Hailu Mengiste, Tarekegn Worku, Azimera Alto, Balila Bekele and Daga Darge Iqqubs. The total population of the five iqqubs is 442. Out of which Hailu Mengiste-25, Tarekegn Worku-30, Azimera Alto-32, Balila Bekele-17 and Daga Darge-29 which total was 133 taken into account.

Data Collection and Instruments

The surveyed 'Iqqubs' were selected systematically by identifying existing organized 'Iqqubs' through personal contacts. Specifically the research was conducted on five 'Iqqubs' which are small, medium and large in their amount of contribution.

Data was primarily collected through personal interview with 'Iqqub' organizers, on how they manage and allocate the funds collected.

Data Analysis and Presentation

Data was analyzed by using the SPSS version 20 software. Appropriate frequency, percentage, average and other figures were used to interpret and present the analysis as required. Moreover, tables were used as appropriate to clearly show the analysis and finding.

Findings and Analysis

Response of the Questionnaire

As indicated in the table 1, from the questionnaire distributed for the members of iqqubs, 113 have responded. This is 84.96% $((113/133)*100)$ of the sample. This was expected in the limitation of the study due to the movability of the trade men they may not respond in the time or can not respond for ever the questionnaire. But the responded quantity is sufficient to analyze the data.

Table 1: Response of the questionnaire

Name of Iqqub	Sample	Frequency of the Respose	Valid Percent	Remark
Azimera Alto	32	28	87.5	
Balila Bekele	17	15	88.2	
Daga Darge	29	20	67.0	
Hailu Mengiste	25	23	92.0	
Tarekegn Worku	30	27	90.0	
Total	133	113	84.94	

Source: Result of questionnaire

Personal Data of the Respondents*Location of the Respondents*

Regarding the location of respondents as indicated in table 2, all respondents are from Arbaminch Town.

But the leaders referred us that there are some members which are not at Arbaminch Town. These members come to the iqqub by the trade relation with some members from Arbaminch. This indicates that iqqub organized not necessarily by neighborhood, family ship, friendship, relatives and other relations.

Table 2: Location of the respondents

Particulars	Location of the respondent		Total	
	A/M			
name of iqqub	Tarekegn	Count	27	27
		% of Total	23.9%	23.9%
	Hailu	Count	23	23
		% of Total	20.4%	20.4%
	Daga	Count	20	20
		% of Total	17.7%	17.7%
	Balila	Count	15	15
		% of Total	13.3%	13.3%
	Azimera	Count	28	28
		% of Total	24.8%	24.8%
	Total	Count	113	113
		% of Total	100.0%	100.0%

Source: Result of questionnaire

Age of the Respondent

From the table 3, we can understand that 104 respondents out of 113 which is 92.04% respondents were from the age of 25-55. This age is classified under the adult age in Ethiopia and productive age in the

world. All of Tarekegn Worku Iqqub members are under adult age. This engagement indicates that the most of productive people in business at Arbaminch Town uses "Iqqub" for start up and development of business.

Table 3: Age of respondents

Name of Iqqub	Age of Respondant		Total
	15-24 Youth	25-55 Adult	
Tarekegn Worku	0	27	27
Hailu Mengiste	2	21	23
Daga Darge	3	17	20
Balila Bekele	1	14	15
Azimera Alto	3	25	28
Total	9	104	113

Source: Result of questionnaire

Sex of Respondants

From the table 4 we can understand that the majority of the business men engaged on trade at ArbaMinch Town are male. From the observed data 105 out of 113 which is 92.9%. The remaining 7.1% is

female. This implies that the participation of females in business as well as in iqqub at Arbaminch Town is insignificant. There fore the participation of females in business as well as in iqqub needs the work of respected bodies or further study.

Table 4: Sex of the members

	Particulars	Sex of respondent		Total	
		M	F		
Name of iqqub	Tarekegn	Count	19	8	27
		% of Total	16.8%	7.1%	23.9%
	Hailu	Count	23	0	23
		% of Total	20.4%	0.0%	20.4%
	Daga	Count	20	0	20
		% of Total	17.7%	0.0%	17.7%
	Balila	Count	15	0	15
		% of Total	13.3%	0.0%	13.3%
	Azimera	Count	28	0	28
		% of Total	24.8%	0.0%	24.8%
Total	Count	105	8	113	
	% of Total	92.9%	7.1%	100.0%	

Source: Result of questionnaire

Duration of Members in the Iqqub

Regarding the duration of members in iqqubs as shown in table 5, 7 members in Tarekegn iqqub have stayed in the iqqub for more than 10 years. The other 91 Out of 113 in all iqqubs have stayed up-to 6 years. The other 15 in all iqqubs stayed for 6-10 years. This

indicates that the entrance and exit from iqqubs is not protected for members. This indicates that the importans of iqqubs increases from time to time at ArbaMinch Town and playing the prominent role in business start up and growth.

Table 5: Duration of members in the Iqqub cross tabulation count

Name of Iqqub	Duration of members in the iqqub				Total
	0-3	4-6	7-10	>10	
Azimera Alto	21	7	0	0	28
Balila Bekele	12	3	0	0	15
Daga Darge	14	5	1	0	20
Hailu Mengiste	11	9	3	0	23
Tarekegn Worku	3	6	11	7	27
Total	61	30	15	7	113

Source: Result of questionnaire

Education Level of Respondents

Regarding the educational level of iqqub members as shown in table 6, 26 out of 113 are Diploma holders, 23 are from grade 5-8, 18 are from grade 4-5, 17 are from grade 9-10, 16 are from grade 11-12, 12 are degree holders and 1 is master holder. This indicates that above 50% of the members can understand the

modern business systems and money value today. Accordingly they can analyze the role, advantage and disadvantage of iqqub for the business start-up and development. Therefore it is possible to estimate that the role of iqqub in business start- up and growth at Arbaminch Town is understandable by the people engaged in business.

Table 6: Education level of respondent

Name of Iqqub	Education Level of Respondent							Total
	4-5	5-8	9-10	11-12	Diploma	Degree	Master	
Tarekegn Worku	7	6	6	4	2	2	0	27
Hailu Mengiste	0	3	0	9	5	5	1	23
Daga Darge	3	10	4	1	1	1	0	20
Balila Bekele	6	4	3	0	2	0	0	15
Azimera Alto	2	0	4	2	16	4	0	28
Total	18	23	17	16	26	12	1	113

Source: Result of questionnaire

The Classification of Businesses

Average weekly Income

From the data in table 7 we can observe that the

weekly income of the respondents from selected iqqubs in the town only 18 out of 113 have got income of above birr 5,000 per week which will be above birr 260,000 per year. The remaining 95 respondents out

of 113 have got below birr 5,000 per week. This may need further investigation for the reliability of the data regarding the large iqqubs to match the income they get per week and they contribute iqqub per week as

shown in table 6 largest iqqubs Tarekegn Worku, Hailu Mengiste and Azimera Alto respectively contribute Birr 8,200, 10,200 and 7,800.00 per week.

Table 7: Average weekly income

Name of Iqqub	Average Weekly Income						Total
	10-1000	1001-2000	2001-3000	3001-4000	4001-5000	>5000	
Tarekegn Worku	4	4	8	4	6	1	27
Hailu Mengistu	15	2	0	0	3	3	23
Daga Darge	10	3	5	1	1	0	20
Balila Bekele	10	0	1	1	2	1	15
Azimera Alto	6	7	0	0	2	13	28
Total	45	16	14	6	14	18	113

Source: Result of questionnaire

Number of Employees

The type of business is classified by the numbers of employees. From the table 8 with regard to the number of employees we can observe that the businesses undertaken in the research shows 108 out of 113 are classified under small scale business, 3 are classified under medium scale business and 2 are

classified under large scale business. This classification indicates that the most of business engaged in iqqub at ArbaMinch Town are the small scale businesses. The scale business people are the low incomed and who do not have fixed assets for the collateral which ables the business fullfil the requirement of formal financial institutions to give loan for the business.

Table 8: Number of employees

Name of Iqqub	Number of Employees				Total
	1-5	5-10	11-15	21-25	
Tarekegn Worku	22	1	2	2	27
Hailu Mengiste	23	0	0	0	23
Daga Darge	12	8	0	0	20
Balila Bekele	10	4	1	0	15
Azimera Alto	27	1	0	0	28
Total	94	14	3	2	113

Source: Result of questionnaire.

The Sources of Income

From the Table 9 we can understand that the source of income of the all respondents is trade. According to data shown in table 15 the types of trade are classified into service and industry/manufacturing. The data shows that 105 out 113 which is 92.9%

respondents are engaged in service business, whereas 8 out of 113 which is 7.1% respondents are engaged in industry/manufacturing business. This indicates that most of traders engaged in service business have used iqqub to start up and development at Arbaminch Town.

Table 9. Source of Income

Name of Iqqub	Source of Income Trade	Total
Tarekegn Worku	27	27
Hailu Mengiste	23	23
Daga Darge	20	20
Balila Bekele	15	15
Azimera Alto	28	28
Total	113	113

Source: Result of questionnaire

Members Participate at Iqqub

For the question raised, "why they participate in iqqub?" the respondents from five iqqubs answered as the data indicated in the table 10, 72 out of 113

which is 63.8% have agreed for the response obtaining credit without interest. From the following table data analysis disclosed that, the reason obtaining credit without interest, obtaining credit at lower interest, the Less Bureaucracy (easy access to credit or loan),

sharing ideas with others, enforced saving mechanism is used, additional income from iqqubs and obtaining credit without mortgage are the reasons

business people to participate in iqqub. Therefore the social factors such as meeting with others, eating and drinking are not a mojar factors to participate in Iqqub.

Table 10: Why do you participate in Iqqub

		Obtaining credit without interest	Obtaining credit at lower interest	Due to the social factors (meeting with others, eating and drinking etc)	Less Bureaucracy (easy access to credit or loan)	Sharing ideas with others	Because enforced saving mechanism is used	Additional income from Iqqubs	Obtaining credit without mortgage
Strongly Disagree	Count	22	17	28	19	22	20	15	7
	%	19.5%	15%	24.8%	16.8%	19.5%	17.7%	13.3%	6.2%
Disagree	Count	4	8	13	9	5	8	1	5
	%	3.5%	7.1%	11.5%	8.0%	4.4%	7.1%	0.9%	4.4%
Neutral	Count	15	26	41	23	20	24		5
	%	13.3%	23%	36.3%	20.4%	17.7%	21.2%		4.4%
Agree	Count	9	15	14	17	19	20	26	19
	%	8.0%	13.3%	12.4%	15.0%	16.8%	17.7%	23.0%	16.8%
Strongly Agree	Count	63	47	17	45	47	41	71	77
	%	55.8%	41.6%	15.0%	39.8%	41.6%	36.3%	62.8%	68.1%

Source: Result of questionnaire

Cost of Iqqub

For any business or transaction the cost of service or transaction is expected in the business world. To realize the cost of iqqub in the regarded iqqubs, we raised the question whether they pay extra money for membership of iqqub.

Security in the Iqqub for the Default

As per the data analysis, the the memnerd of the regarding iqqub have indicated the securacy of their money in the iqqub. The security for the business men to get their money in the business is the important factor and the indicator of the strength of the business. This shows that they trust the members of the Iqqub.

Alternative Source of Finance Rather than Iqqub for Medium and Small Business

According to the data analysis, for the question raised for respondents, "if the members cannot get loan from iqqub what alternative they preferred?" Then the respondents agreed as, 1 out of 113 referred banks, 5 out of 113 referred Micro Finance, 15 out of 113 referred Relatives\Friends and 25 out of 113 referred Credit Associations. This response indicates that the communities who have the insignificant or no opportunity to get money from iqqub have no chance or very insignificant chance to get money from formal

financial intitution to start up or develop business. Again for the question raiser for respondents, do you believe that Iqqubs can provide long term credit? Then they responded negatively as indicated in data analysis. This shows us that the people with low income do not interested in formal financial institutions because of their defferent formalities such as collateral, bureaucracy etc.

Use of Iqqub

For the question what the respondents did by money that they received from iqqub, as per the da analysis, they respectively responded as 93 out of 113 have used to start new business, 33 out of have used to expand the existing business, 33 out of paid other debt, 27 out of have bought merchandise inventory, 3 out of have bought household appliances, 4 out of have covered my weeding expenses, 88 out of have established trade and 70 out of have bought capital assets (vehicle, house etc). There for the data indicates that most of the business men at Arba Minch Town use money from iqqub for start-up new business, establish trade and purchase of capital assets.

Benefit of Linking Iqqub with other financial Institutions

For the questions raised whether the respondents think Iqqubs can benefit if they are linked with formal

financial institutions like banks? As per data analysis, all of the respondents have responded negatively. As some respondents explained that from the current experience of formal financial institutions, request of assets for collateral, long bureaucratic process and time consuming process are the major problems to link iqqub with other financial institutions. There for if it is possible to link iqqub with other financial institutions, they have to revise the rules for collateral, minimize the long bureaucratic process then to link iqqubs and benefit the small and medium sized business.

Beneficiaries from Iqqubs

To know the benefited parts from iqqubs, the

question, "Do you think Institutionalizing Iqqub will benefit iqqub organizer or iqqub members?" was raised for members from five iqqubs at ArbaMinch Town. As shown in table 11, 88 respondents out of 113 which is 77.9% were agreed on the iqqub organizers are benefited. This indicates that though both iqqub organizers and iqqub members are benefited from iqqub, the data shows that the members are more benefited from iqqub. There for the preference of iqqub members for iqqub is more than iqqub organizers as the data of five iqqubs at ArbaMinch Town.

Table 11: Iqqub Organizer Vs Iqqub Members Cross-tabulation

Particulars			No Response	Iqqub Members Aggree	Strongly Agree	Total
Iqqub Organizer	Strongly Agree	Count	3	11	69	83
		% of Total	2.7%	9.7%	61.1%	73.5%
	Aggree	Count	1	2	2	5
		% of Total	0.9%	1.8%	1.8%	4.4%
	Disagree	Count	0	1	2	3
		% of Total	0.0%	0.9%	1.8%	2.7%
	No Response	Count	8	0	14	22
		% of Total	7.1%	0.0%	12.4%	19.5%
	Total	Count	12	14	87	113
		% of Total	10.6%	12.4%	77.0%	100.0%

Source: Result of questionnaire

Conclusion and Recommendation

The 'Iqqub' consists of homogenous groups: people from the same work place, ethnic background, trade, schooling background or neighborhood. But this paper has identified that the formation of iqqub with some criteria such as relatives, family members, same ethnic groups, friends, neighbors, followers of same religion and no relation to be the member of that iqqub and tested. With these regards the criteria relatives, family members, same ethnic groups, friends, neighbors and followers of same religion are not the major criteria for the formation of iqqub in case of five iqqubs at Arba Minch Town. This indicates that the criteria for the formation of iqqub depend on the iqqub and vary from place to place in related to the previous study in Addis Ababa.

Iqqub plays the prominent role in business start up and development in small and medium sized business at Arbaminch Town. According to the analysis iqqub plays the prominent role in the business start up and growth with regard to providing credit without interest, providing credit at lower interest, accessing with Less Bureaucracy (easy access

to credit or loan), sharing ideas with others, enforced saving mechanism, providing additional income from iqqubs, providing credit without mortgage.

On the other hand, though both iqqub organizers and iqqub members are benefited from iqqub, the data shows that the members are more benefited from iqqub. There for the the role of iqqub is more benefiting iqqub members than iqqub organizers as the data of five iqqubs at ArbaMinch Town. Iqqub mainly make members to start new business, to expand the existing business, paid other debt, buy merchandise inventory, established trade and buy capital assets (vehicle, house etc). Therefore, the data indicates that most of the business men at Arba Minch Town use money from iqqub for start-up new business, establish trade and purchase of capital assets. With regardless of business classification they responded positively for the question whether they beneficiary from iqqub. On the other hand for the questions whether they prefer iqqub rather than other financial institutions, all respondents answered positively for the question. Regarding the businesses financed from iqqub the study shows that the business mostly engaged in service business and are the small and medium sized businesses.

According to data the source of income for all respondents in five iqqubs is trade; it is classified into service and industry/manufacturing. This indicates that most of traders engaged in service business have used iqqub to start up and development at Arbaminch Town. The experience used in the service business regarding the role of iqqub needs to encourage people to enter into industry/manufacturing business to satisfy the economic policy of the government.

The private businesses prefer iqqub rather than other financial institutions due to obtaining credit without interest, obtaining credit at lower interest, less bureaucracy (easy access to credit or loan), sharing ideas with others, enforced saving mechanism, additional income from Iqqubs, obtaining credit without mortgage. In addition to this the cost of iqqub is insignificant or null. The rights of iqqub members in the iqqub, in accordance with getting loan in any time in need of money, liquidate their position in the Iqqub before the Iqqub liquidates without any penalty payment, with an appropriate successor. But most of iqqub members do not know how to liquidate from their iqqubs. Therefore, this may inform the iqqub leaders to create awareness for the members on the rule of the iqqub.

According to the analysis the iqqub members do not pay cost of service or transaction such as for membership, food, drinks, but they referred that they are gaining more money than they contributed in the iqqub in the form of benefit from the sale of their chance and the sale of "jema".

Regarding the experience formal financial institutions and government to learn from iqqub is that the trustfulness of the members for the rules they agreed on and accepting person for collateral instead of collateral for fixed asset. The trustfulness has indicated by that of the respondents from five iqqubs no one has lost his money due to default of others at Arbaminch Town. The respondents reasoning is that trust the members, collateral(person), the leaders' responsibility to pay and the experience of no default record. This shows that trust the members and collateral (person) are the experiences to be learned from Iqqub.

Recommendation

Iqqub is one of the informal financial institutions that mostly the small and medium scale businesses used to start up and develop business in Ethiopia. It is playing the prominent role in providing money to small and medium scale business to start up and develop business in the country as well as at Arba

Minch Town. The experiences that applied in iqqub such as trustfulness of the members to pay their debt that they received in their term of the lot, giving the priority for the member who have great urgency, having personal collateral instead of assets are the considerable roles of iqqub at Arba Minch Town with regard to five iqqubs. The formal financial institutions have to apply the experience that had been effective in informal financial institution to make small and medium scale businesses to participate in the economy of the country. That is because the productive aged people in case of lack of finance and asset for collateral could not enter into the economy can get the chance to enter into the business as well play their role in the economy of the country and widen their role from service to industry that the current issue of the country. Finally the role of iqqub in the economy of the country has to be taken attention by the scholars and the government for further research.

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