

Money, Credit, and Banking in Precolonial Africa

The Yoruba Experience

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Abstract. – Scholarship in African economic history has been dominated by a wave of revisionism lately. The degree of African indebtedness, the imperatives of loan repayment, and the long-term implications of ongoing political and economic changes, all make such a revision exigent indeed. Focusing on the Yoruba of southwestern Nigeria, this paper produces new evidence to reinterpret and redefine African precolonial financial institutions. The paper has two main parts. Part 1 focuses on the introduction of cowrie currency into Yorubaland and its impact on social stratification. Part 2 examines *ajo*, the savings institution, *esusu*, the rotating savings and credit associations (*roscas*), and the process of capital formation and accumulation among the Yoruba. [*Nigeria, Yoruba, rotating savings and credit associations (roscas), capital formation, accumulation, cowries; social stratification*]

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Introduction

After the pioneering works of the late Marion Johnson (1968, 1970) and of other economic historians of Africa,¹ there seems at first sight to be very little to add to the existing knowledge of the importation, distribution, and use of cowrie currency in West Africa. It has been demonstrated beyond all doubts that, to use Johnson's very apt words, "West African cowrie currencies ... [were] in no sense a 'primitive' money, but a sophisticated form of currency capable of adaptation to the particular needs of West African trade" (1970: 17). In addition, other scholars have shown the east-west and north-south spread of the currency, and have speculated on its diffusion from one part of the region to another. Nevertheless, there are certain issues that have not yet been adequately covered. Three such issues, which the present study seeks to examine by focusing on the Yoruba of southwestern

Nigeria, are the effects the introduction of a widely circulating currency had on the preexisting credit market; the impact of the monetization of economy on the society, particularly on the development of social classes; and the process of capital formation and accumulation through indigenous banking and credit institutions.

For the records, the Yoruba people, on whom this study focuses, have been the subject of interest for many Africanists partly because of the level of their civilization which they had produced outside Hamito-Semitic and Arab-Islamic influence. They inhabit southwestern Nigeria, in present-day Lagos, Ogun, Oyo, Osun, Ondo, and Kwara states; and, as a result of European partition, they could also be found in the neighbouring Republics of Benin and Togo in West Africa. According to Samuel Johnson (1921: xix), this area lies, roughly speaking, between lat. 6° and 9° North, and long. 2° 30' and 6° 30' East. Neither ethnically nor politically homogeneous, the people had been, from time immemorial, organized into many states or kingdoms. The total number of these kingdoms is unknown, but the major states include the Yagba, Ekiti, Igbomina, Ijesa, Ife, and Ondo in the east; the Oyo, Egba, Owu, Egbado, and Ijebu in the center; and the Sabe, Ketu, Anago, Idaisa, Manigri, Isa, and Ana in the west. The ruling elites in most of the states claim descent from the Oduduwa house and/or Ile-Ife. Each state was independent and autonomous and had a monarchical system of government. They, however, shared common bonds of artistic and material culture, political and commercial ethics, and mutually intelligible language.

Several features of Yoruba social and political systems supported the financial institutions. In an earlier publication, I have itemized these features

1 Among others, see Lovejoy 1974; Latham 1971; Hopkins 1966; Hiskett 1966; Jones 1958; Baier 1980: 25-35, 105-115; Herbert 1973.