# INDIGENOUS SAVINGS AND MUTUAL AID ASSOCIATIONS IN NIGERIA
# AN ANALYSIS

BY

AYEYE FRANKLIN ADAMU

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# D E C L A R A T I O N

I hereby declare that this project has been written by me and that no other similar work has been done before or was currently being done at the time this project was conducted. That all information not original to this project have been duly acknowledged by way of reference.

AYEYE FRANKLIN ADAMU.

# C E R T I F I C A T I O N

This Project entitled "INDIGENOUS SAVINGS AND MUTUAL AID ASSOCIATIONS IN NIGERIA," AN ANALYSIS; BY Ayeye Franklin Adamu meets the regulations governing the award of the degree of MBA of Ahmadu Bello University, and is approved for its contribution to knowledge and literary presentation.

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| Chairman, Supervisory Committee | Date |
| I. A. DANKANO | 25/10/88. |
| Member, Supervisory Committee | Date |
| Head of Department | 8/2/89 |
| | Date |
| Dean, Post-Graduate School | 7-8-89 |
| | Date |

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AYEYE F.A.

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## A B S T R A C T

This project seeks ho appraise the financial system and the modalities of its operations. The highlight is that the financial system is divided into the organised and the unorganised sectors, each with its values, expectations and approaches to financial intermedeation.

Within the present setup however, there exist a lot of duplication, waste of resources; and also much prospect for pooling ideas, complementing efforts and doing a better job of mobilizing savings and providing credit facilities for their numerous customers. Such idea of building a bridge between the two sectors requires a lot; the organised sector has the resources and logistics, the unorganised has not, the former also has the legal recognition but the latter lias not. The unorganised is keen on developing and maintaining relations, but the organised sector has not given it a thought. Why is the unorganised sector so desperate? The indigenous savings and mutual aid associations which occupy the Lnformal financial jungles of this country has a lot to offer, even though they have their own problems. If an attempt is made to organise the unorganised sector, it will be put in a better position to be plugged in for a better functioning financial system.

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This work is dedicated to my wife Suzie, and my sons, Atake and Michael who stood passionately by me during the trying and strenous moments of the MBA programme.

# CHAPTER I

## OUTLINE OF THE PROJECT

### 1.1 INTRODUCTION

The phenomena of thrift/savings, credits, loans and Finance are not new in the areas that make up present day Nigeria even before the colonial period. Infact the existence of well established and flourishing trade, and also the use of different kinds of currency gives evidence to the existence of a form of Financial system no matter how rudimentary.[1] Colonialism, legitimate trade and administration, also brought with it a whole set of institutions including modern Financial, banking systems and conventions.

The result is that today in Nigeria, we have a dual financial sector - (the "organised" and "unorganised" each with its own requirements and expectations) in a system of obstacles, and relationship of contradiction and active opposition; resulting in duplication, waste and inefficiency.

However, both sectors do not only perform important functions, but have a very special role to play in Nigeria quest for economic development based on either the statutes/legislation setting them up, or by tradition and history..

The Central Bank initiated rural banking drive accompanied by all the good projections is back firing in the rural areas because the policy framework and institutional arrangements for executing the programme have failed both to embrace and adjust to the cultural values, social needs, expectations, and circumstances of the society they were meant to serve. Since efforts were not made to orient the activities of these commercial banks to the rural dwellers, their services have also not been generally accepted favourably by a large section of the rural population especially the merchants, traders, cattle-owners, farmers, palm-nut collectors, palm-wine-tappers etc.

The prevailing banking philosophy is not only foreign to the traditional social background, but the banks also appear to be speaking to the rural people in a foreign language. As Schatzs (1961 ) put it, "even if not in direct contact with foreigners, they (rural dwellers) deal with agencies run by modern (european) rather than traditional standards. These rules and procedures of the economy and even the language are of alien origin".[2] The standard and requirements for safe keeping of money and collection of credit infact conflicts with social and cultural patterns. For instance wealth in the form of document bills, plant and equiment, real estate, time deposits, life insurance policies etc; are the major criteria used by banks for shelling our credit in an environment where not only a few are born rich but majority are walloping in abject poverty.

Thrift and the need to save requires ability to read and write, filling of forms, waiting on long queues, routine periods of transactions etc; which the rural people are not used to.

This striking feature of lack of indigenization of the banking practice in the country would have meant depriving majority of the country's people the *indispensable services of financial intermediaries*, if not for the existence of indigenous savings and mutual aid associations that are the focus of this project.

1.2 Statement of problem and objectives of the study.

It is a generally accepted fact that the availability of financial capital is a sine qua non for the transformation and rapid development of any country. It is also an acknowledged fact that while some people and areas have more money than they need, others in this country have less than they require for personal and commercial needs. Financial intermediation therefore occupies a strategic position in channeling surplus to shortage areas, and therefore remedying shortfalls from time to time.

It was against this background that the rush and partitioning of the rural areas by commercial banks in an attempt to tap or mobilize lots of money which has been lying fallow in these areas was a welcome relief.

However, before embarking on the rural banking drive, were any attempts made to interprete and comprehend the psychology of savings in the rural areas? If not, is this the reason the rural banking scheme is insistently failing? Indeed if the myraid of structural problems confronting numerous credit unions and mutual aid associations are eliminated, their activities and facilities organised and streamlined; will it not be possible to intergrate them into the modern banking sector thereby improving the present inefficient approach to the mobilization of savings ?

The purpose of this project is to:

(a) Highlight and analyse the implications of the factors limiting the performance of these savings and mutual aid associations.

(b) Investigate the strikingly different approach of these associations to financial intermediation, and identify possible areas for intergrating them into modern banking to improve efficiency for a better functioning financial system.

> As Edozen (1982) put it, "Going through the types of banks,---- one gets the deceptive impression that the Nigerian banking system is sophisticated well diversified and probably efficient. Quite to the contrary; the look of sophistication in this instance is a camouflage that coneals a high degree of financial underdevelopment"3.

Scope of the Study:

Most of the existing studies on the informal or unorganised financial system have tended to group all institutions in this sector as one and the same, over-emphasised the mutual aid elements in them and tagged all of them credit unions, unlike in the organised sector where efforts are made to differentiate between commercial, merchant and development banks; insurance and hirepurchase companies etc.

For this single reason, not much research has been done on the indigenous savings associations as institutions per se, distinct from the various types of mutual aid associtations which we shall have cause to touch upon in the course of this project. The main emphasis or focus of this study are the indigenous savings associations.

Definition of Special Concepts:

The word 'Asusu', Esusu' and Osusu' will always raise ears in the informal financial jungles of this country.

They are often used to describe from one part of this nation to the other the variety of credit institutions especially those based on mutual aid.

Similarly ' Adashe' 'Ajo' etc are popular concepts used to specially describe the thrift or savings associations. The word 'Adashe' meaning savings and 'Mai Adashe'-refering to the local bankers will be used frequently in this write up.

# CHAPTER II

## SAVINGS ASSOCIATIONS AND THE MEDIATION FUNCTION

### 2.1 Definition, Origin and Development of Indigenous Savings and Mutual Aid Associations.

As we have already hinted earlier, there is a glaring and fundamental difference between the credit unions and mutual aid associations. The later are operated and revolve around the traditional-co-operative and self help spirit; providing one form of aid or the other from the rural areas where low incomes and poverty prevails, to the urban area where they represent a substitute for the general lack of extended family links; Hopkins sees them as "small credit associations which were organised by kinsmen or by group of friends and were devoted mainly to social purposes such as raising money for marriage, funerals and naming ceremonies"[4]. Presently, these Asusu, Osusu or Esusu associations have been embraced every where in this country by majority of the middle and low income working class, and traders. also students and full-time housewives.

> Arnaldo (1977) defines them as "simple organisations in which savings and or credit are administered on a periodical rotating basis by members "5.

On the other hand, the indigenous savings/thrift institutions may or may not call into play the self help spirit. They are known by various names in different parts of the country.

'ADASHE' in the north, 'AJO' in the west and for the purpose of this paper will be operationally defined as thrift and credit unions mostly organised and operated locally on the basis of membership for the provision of simple safe-keeping and or credit facilities either on direct individual or on a rotational basis.

The Adashe is patronized predominantly by traders artisans and craftsmen who can make daily deposits of money.

In all countries, financing decisions either for economic or social purposes have to be made by people; this is equally true in Nigeria whose complex socio-cultural and rich economic potentialities have been strong forces necesitating such decisions. The existence of institutions to conveniently, efficiently and effectively aid these decisions have helped to both provide answers to deeply felt lack of banking facilities in some areas and a substitute for extended communal family links which are lacking in the urban areas.

Most of the communities that make up present day Nigeria were traditional and transitional, i.e. while many of the cultural and social demands remained, economic values especially general commerce and the use of various forms of currency became more predominant with time. The various economic transactions and social commitments created as it were the conditions for indebted-ness to wealthier neighbours and or fellow merchants

The ingenuity of our traditional people in responding to this fact of lack of sufficient money for economic transactions led to the development of "agents", 'landlords' and 'brokers'. Requirements of traders and artisans more importantly led to the development of specialised bankers who collected savings deposits daily from them and in turn "invested.... ...this money on behalf of... these... depositors, and operate a system whereby credits could be transfered to third parties"6.

The development of the 'Asusu' and 'ADASHE' systems were a direct response to the need of facilities for credit to meet social obligations - like marriage, naming and burial ceremonies amongst friends and tribesmen; and also economic requirements especially commercial activities. It is therefore difficult to accept Professor Giodianos hypothesis that "like savings banks, credit unions have recently entered the African system ... (and that)--- the development of credit unions has been largely provided by an external agent or factor - i.e. the intensive field-work supplied by experts of world credit unions, the credit union National Association (USA), the National Association of Canadian Credit Unions (Canada) and other voluntary agencies and religious services".[7] Oral and written evidence shows that credit unions in Nigeria developed aside of the above named or suggested external agencies; infact studies conducted by Nigerians writer confirm this position.[8]

From this humble origin, the savings and credit unions have developed into formidable forces within the financial cobwebs of the economy, and today we see them every where amongst Nigerians encouraging the fulfilment of various social commitments and enhancing trade and general commerce, acting successfully as financial interuediaries without feeling threatened or "even weakened by such strong and disruptive phenomena as industrialisation, inflation, migration and urbanization".[9]

They have also escaped control by government agencies like the Central bank and occupy what some writers call the 'unorgaised financial sector'. This single strategic location factor it is assumed does not only help to make their aperations flexible, but also their operating costs very small indeed.

## 2.2 OPERATIONS OF INDIGENOUS FINANCIAL INSTITUTIONS STRUCTURE AND FUNCTIONS

As we observed earlier, the wide distribution of these associations all over the nooks and coners of the Nigerian society shows that they are vital and have something of continuing value to offer, even though very limited amount of data from research are available to show the extent of their performance. However, a look at the structure and functions of these associations gives a better understanding and appreciation of their vibrancy.

1. Financial intermediation 2. Mutual Aid. The first category which is mainly concerned with financial intermediation is the ADASHE operated by MAI ADASHE principally for those engaged in one form of trade or another. He registers or opens accounts for as many traders as possible not minding their ethnic, religious or political affiliations and gives them a card which serves almost the same purpose as the savings passbook in modern commercial banking. On this passbook lines are marked to indicate acceptance of some sum of money from its holder. The amount to be deposited or saved by a trader is fixed and continuous on a daily basis. Infact savings becomes compulsory once a trader gets registered with the MAI ADASHE, since "the associations traditional regulations make savings a social and personal obligation which is voluntorily contracted"[10].

The exact amount saved differs, depending on the lucrativeness of the traders lines of business; so while some saved ₦1 everyday, others save ₦3, ₦5, some even ₦10, ₦15, or ₦20 via the ADASHE system. The MAI ADASHE unlike modern bankers does not have an office where he sits and waits for depositors or savings at the convenience of his customers, rather he visits all members of the association daily to collect their savings which he records in a 'big book'. (similar to banks cash/book) as well as on the Card or Passbook which is held by the trader. Interestingly, the total amount saved by a trader, giving room for

inability to contribute, (either due to illness or other misfortune) are usually refunded to him at the end of a period (one lunar month) less a days deposit which is deducted by MAI ADASHE for his services. No interest are paid on such savings in contrast to modern banking practice.

Furthermore, any of the regular members of the association who is serious with his business and considered credit worthy can always raise loans or advances from the MAI ADASHE for the period when members' deposits are under his custody. Repayments of such loans either in bulk or instalmentally have to be completed or liquidated before the end of the month when individual members are refunded their accumulated savings. Specifically, no member can borrow an amount more than he or she can personally save every month, while interest is charged on such loans granted to them. More significantly, the MAI ADASHE also served as guarantor or surety for members of the associations he controls, to enable them get access to other avenues of money and trade credit - from money lenders or other traders because funds mobilization and the ability to secure credit depends largely on personal face to face relationship at this level. No service fees are charged for this role also. The activities of the MAI ADASHE do not end here. He also makes available some of his services to non members of the thrift associations, with the motive of making profit.

He charges a very high interest rate, which are very rarely less than one hundred percent per stipulated period. This high interest rate itself however reflects not so much the risk involved in lending operations as scarcity of capital, and more importantly, the need for societal discipline and also for people to live within their means. Also such credit facilities are arranged and executed in the presence of third parties who served as witness ('SHAIDA') and all loans have to be guaranteed, ('LAMINTA') by offering some property like livestock, houses, motorcycles, land etc as colateral security (' JINGINA'). An important point to note here is that the conditions, rules and regulations for savings, disbursement and recovering of loan advances for both members and non members are not principally dictated by economic and financial considerations but very importantly too by social factors, expectations and inhibitions.

The supremacy of the social to economic considerations made it an embarassment to borrow or default in repayments by both members and non members, and provided as it were a moral and ritual saction to enforce a code of conduct which made trust and credit possible.

On the other hand, even in predominantly islamic areas like Borno and Sokoto, the Kuranic injunction against usurous loans has had little influence on the operations of stringent conditions by these associations.

The second category, that of mutual aid now look more or less like social associations calling into play the traditional African self-help spirit. However it must be noted that the technical catalyst which motivated the formation and development of mutual aid associations has been the extreme efforts of the entreprenural - MAI ADASHE in search of an investment outlet for the savings of his customers. For a fixed commission he arranges and administers on a rotating basis, among willing members the total savings made by all members in a period. All members under this arrangement contribute a specified sum of money e.g. ₦10, ₦50 or ₦100 on a weekly, forthnightly or monthly basis. The whole amount so contributed is given to one of the members who is either drawn by lot or chosen because of his peculiar needs or problems. At the next period, the whole amount collected is given to another member, until all members have collected and the debt is cancelled. Apart from the commission paid to the arranger or administrator - MAI ADASHE, no interest was charged. In fact the savings behaviour here is " traditionally motivated by a deep rooted expectation of reciprocal behaviour on the part of savers, and the desire to ensure the availability of credit by accumulating savings to the benefit of other members of the association".

By and large the vagries of commerce and caprisciousness of the market situation caused a lot of problems for the operation of this kind of scheme especially among traders who were not sure of a steady income. It therefore became bedevilled by a lot of problems. However, its usefulness

was recognised by other groups who were sure of a steady income and earning especially civil servants. At present therefore these associations are found in most working places where people who either belong to a certain community, live in the same area, or share common interests use it as a device through which they recreate social conditions which help them raise funds for marriages, naming and burial ceremonies, purchases of electronic and fancy items which from time to time may put them in financial jeopardy.

## PROBLEMS AND PROSPECTS OF INDIGENOUS SAVINGS ASSOCIATIONS

The large number, performance and vitality of the indigenous savings association's in a wide variety of socio economic situations notwithstanding they posses a lot of problems which have limited, and even reduced to the minimum their effectiveness. These problems include the following:-

### 1. STRUCTURAL PROBLEMS

The major problem here stems from the fact that even though they play an important role in the society and provide indispensable services, they are not recognised by any agency of government either at the local, state or federal levels and therefore their overall functions are limited and their degree of initiative stiffled. They do not and will not for example play any role in exchange and issuing of currency, floating of government bonds and securities, or the buying and selling of shares of firms to be privatised. This apparent lack of recognition has also meant lack of useful support, especially external finance in periods of liquidity problems, and also facilities or avenues for depositing excess funds periodically.

Infact since some of the operators of these associations (MAI ADASHE) deposit the mqnies they collect daily into the bank, it would have been possible to institutionally enable the associations access to such facilities as overdraft to meet operational obligations and further enhance small time trading and commercial activities. But this is not the case, as the banks only gulp up the excess amounts these associations generate periodically, and whatever transactions MAI ADASHE has with the bank, he does on his own, and not as if representing the institution he painstakingly organises, manages and directs.

Furthermore their scope of operations which usually limits them to interactions with members only, sometimes makes it difficult to extend their facilities to non members generally, making their potential for expansion and growth narrow because such move will lead to carrying a large numner of clients which will not only result in complexities of operations (as the MAI ADASHE may not be able to cover all traders in one day to collect their daily deposits) it can also lead to increases in operating cost and make nonsence of the specific advantage factor they now posses because of their size.

It has been observedalso that even though they encourage thrift and savings among members the associations lack the ability to organise and operate advisory services on possible or potential investment opportunities for the benefit of members, in order to createa relationship between savings and investments. This flaw, more often, makes members

when they collect the savings at the end of a 'thrift cycle', and in situations when they do not have any social or economic commitment, cannot find any reasonable use to put the fund into. They therefore just spend it on anything thereby defeating the original aims of the unions.

2. ORGANISATIONAL PROBLEMS

The obvious lack of external facilities for depositing excess funds and sometimes also lack of investment outlet for savings, generates other problems. This excess liquidity especially if it involves large sums of money has resulted in the problem of safekeeping. Such deposits was at the mercy of thieves, termites, fire and a lot of other harzards since modern harzard free safes were not used in safekeeping nor were insurance policies used in covering this practice, and minimizing as it were the possibility of loss. The relunctance of the MAI ADASHE sometimes to make use of modern banking facilities for safekeeping is not unconnected with the rigidity and redtape associated with the use of modern banking facilities, and partly too because of absence of any other apparent advantage to be derived from such exercise.

Adewumi (1982) summed it up when he said, "changing over to use the western type institutions ---- is not a decision that is easy to make" [12]. It requires weighing the risk return trade-off involved, and the MAI ADASHE will prefer to take the easy way out.

Another associated issue is that more often than not, the temptations arising from keeping sum large sums of money have been strong and unresistable, leading to abuse and embezzlement

of an important developmental variable at the expense of the less priviledged and the society.

Actually it is logical to argue here that the MAI ADASHE given his background, training and exposure has done his best, and that the fault lies with the commercial banks who do not carry on enough sales promotion to market their business and bringing as it were the clients of the same feather into the institutionalised financial system, and leading to a change for the better in these associations; perhaps if this is done, the associations will because they permeate down to the grass roots, provide better opportunities for reaching and serving larger number of people, whose equality of life is bound to improve by such effort.

Another area where there is glaring organisational and operational deficiency as far as the savings associations are concerned, is in record keeping procedures. For the long period in their development that they have been restricted to a mechanistic tight corner in the financial system, they have remained simple and single entities, making it possible for the MAI ADASHE to meticulously and adequately keep his watchful eyes on all transactions. But there are abvious limitations to complete reliance on human memory. Infact if it was possible as we feel likely, to operate the associations on a larger scale, and in a non personalised form, using employees, they would have been highly prone to fraud since no accounting device is employed as a safeguard to check this phenomena in their present makeup. The situation becomes even worse when we view this in relation to the qualifications and educational background of the MAI ADASHE

and most clients who form the bulk that patronize these associations.

## 3. SOCIO CULTURAL PROBLEMS

Like in Ferdinand Tonnies (Geminschaft, in the personalised context within which the associations are operated, everybody knows everybody, and since credit facilities are openly arranged, the social embarrassment leads to credit shyness among people. The thought that co-members will be pointing fingers at whoever is indebted, to the association for whatever reasons is detested and has been acting as a barrier to requests and extension of credit. It will not altogether be easy to overlook the effect of such strong social forces in societies that are still closely knit though transitional like Nigeria, and relating this to the fact that the absence and lack of consideration of these important variables in any credit arrangement, will be allowing unnecessary loopholes which can be exploited to the detriment of financial institutions.

Furthermore, illiterary on the part of members has often led to overpayment of debts by borrowers. Most of the clients are used to monetary calculations in pounds (£) and shillings, rather than in counting plenty naira notes, which add up to little amounts of money. This pit-fall has also been taken advantage of by some MAI ADASHE to perpetuate exploitation of unsuspecting clients resulting in excessive indebtedness. No debtor dare argue with him to avoid embarrassment.

## 4. GENERAL PROSPECTS

At present, the associations also exhibit some prospects which if deliberately explored, tapped and taken advantage

of could improve the services of the modern banking sector, and bring them nearer to the grass roots.

An obvious emphasis here is in the simple and relatively efficient method with which they carry out their intermediation functions, without large and impressive bulidngs and other fixed assets therefore enabling these associations to maintain low operating costs. This is one area the commercial banks could look at especially with regards to the rural banking scheme where the idle and under-utilised bank buildings and official quarters are not serving any useful purpose, except helping to increase the overhead figures in financial statements.

Besides a cusory look at the associations reveals that the requirements for thrift or savings, withdrawals and raising of loans are down to earth, simplistic and ensure convenience, but highly tight and foolproof. The mix combine to ensure depositing and withdrawal service almost twenty four hours a day, and also prompt payments of credit advanced. Infact we will dare say here that like these associations do, if the commercial banks can lift the turban and veil of confidentiality in particularly credit arrangements, personalise such financial intercourse, and request back up colateral, the large share of problems of default, bad and doubtful account manipulations with its attendant cost, and embarassing explanations will be minimized. Infact the situation now is such that the government is even suspecting bank officials of intentional manipulations in cases of genuine default. This prompted the speech by the Minister of Finance to the extent that the government will not take kindly to banks declaring unreasonably high figure in the BDD accounts, during the official opening of the Trust Bank of Nigeria Limited in Kaduna in August, 1986[14].

The modern banking sector could also seize the opportunity of the potential fallow savings generated by the ADASHE that is floating from time to time, and for which no immediate need is found, either by creating some investment outlets for them or trapping them by providing storage facilities in face of excess liquidity. This could well serve as the operational framework within which to test the validity of the positive attitude and acceptance of the compulsory and contractual savings habits of our people - through for example genuine house savings/schemes and loans, child education savings, yearly or periodic festival or ceremony savings etc.

Very little seems to have been done and a lot will have to be done to connect the modern banking system with the indigenous savings and mutual aid associations. The modern [redacted]ctor which has the recognition, legal status, resources and [redacted]ogistics should take the initiative, and as a first step recognise the existence, character and role of the associations in their sub-system, and the society as a whole will be the [redacted]better for it.

# CHAPTER THREE

## RESEARCH METHODOLOGY

### 3.1 Target Population and Sample:

The area covered by this project includes

(a) Those formerly reffered to as Northern Region but now called the ten northern states;

(b) Those formerly reffered to as the Western Region but now the three 0 states only, excluding Bendel and Lagos States.

The Ten Northern States are situated between latitude $8^{o}$-$14^{oN}$ and longititude $3.5^{0}$-$14^{oE}$ occupying an area of about sq. kilometres, has a population of about 50 million inhabitants with predominantly sensitive commercial administrative centres in Kaduna, Kano, Sokoto, Maiduguri, Katsina, Zaria, Minna, Makurdi, Bauchi, Jos, Yola and Ilorin. The Hausa language is the lingua franca here and is understood all over the place.

The three states of Ogun, Oyo and Ondo lie between latitude 6.5-9[illegible] and longtitude 2°E-5°E occupying an area of about sq. kilometres and also has an estimated population of 20 million people with administrative and commercial centres in Ibadan, Osogbo, Abeokuta and Akure. The Yoruba language predominates here. This in effect is the target population from which we shall draw our sample.

By and large, because of the same degree of sophistication of these associations in different parts/segements of the population, the project will be carried out on the

operations of those in Borno State, representing as it were a stratified sample of the area comprising the former Northern and Western Regions excluding Bendel and Lagos States, not only because of sampling convenience and operational incidence, but also to save time and money. However, this delimitation will not constitute a major barrier even though significant to the generalizability of the results of this study, since the basic principles to be applied and the conceptual framework within which this project will be carried out, will remain the same if applied to any part of the population. However, additional efforts will be made in the use of other tools to ensure that the data remains representative, and that it adequately reflects the true population from which it was drawn.

Borno State with Capital in Maiduguri has a population of 3,5 million and 18 local government areas with headquarters in Maiduguri, Gashua, Bama, Konduga, Gamboru Ngala, Nguru, Askira Uba. etc.

After having determined our sample strata, we now proceed to identify our target samples. First to make sure that every MAI ADASHE stands a good chance of being selected for the study, even though we cannot use simple ramdom sampling because we do not know the exact number of these people in Borno State, we used the cluster technique and as a rule all local government headquarters were therefore selected for coverage. Secondly we went ahead to systematically select every third (3rd) MAI ADASHE

that we encountered until we had selected sixteen (16) each from every local government headquarters and twelve (12) from the state capital for specific study.

Barg and Gall (1971)'s15 suggests that to ensure representativeness, the following were considered alright:- 5% of the sample, up to 5000; 10% above 5000 upto 10,000 and 15% above 10,000 and upto 15,000. If we conservatively estimate the total number of MAI ADASHE to be 3000 all over the state based on assumptions arrived at with the practitioners, then 150 selected will give us 5% which is in order.

## 3.2 METHODS OF DATA COLLECTION

The methods employed here, are a combination of the questionaire, guided interviews personal observation and also written records of the MAI ADASHE.

A questionaire in English language was administered on the selected sample, but because of their levels of illiteracy they were specifically requested to seek the assistance of their children or friends to help them in filling the answer spaces provided, if they encountered any problems.

During the return trip to collect back the questionnaires, guided interviews were conducted in Hausa Language for all the MAI ADASHE 's. Their records of operations were also checked for additional information. Finally the personal experiences and observations of the clients was also sought by interviewing them about their impressions.

## 3.3 METHOD OF DATA ANALYSIS AND TREATMENT

In order to organise and simplify the large mass

of data collected, and by so doing clarifying the relationship between and among the variables, the data will be grouped, and by the use of figures, graphs and tables make them easily digestible, reportable and interpretable.

3.4 ESTIMATED EXPENDITURE AND COSTS INCURED

Below is indicated to the nearest kobo the total amount spent in conducting the study.

| | ITEM | | COST |
|---|---|---|---|
| 1. | Production of Questionnaire | | 35.00 |
| 2. | Cost of Administering Questionnaire transportation to 18 L.G. Hqtrs. | 170 | |
| | 3 days lodging & accomodation | 90 | 280.00 |
| 3. | Cost of collecting & interviewing/ Transportation | 170 | |
| | 7 days lodging @ ₦30 a day | 210 | 380.00 |
| 4. | Additional Cost of Assistant Interpreter (Negotiable) | | xxx |
| 5, | Cost of Production | | |
| | Ink | 18.00 | |
| | Stencils | 28.50 | |
| | A4 Paper | 16.00 | |
| | Typing | 20.00 | |
| | Total | | 82.50 |
| | | | 777.00 |
| | | | ======= |

# CHAPTER FOUR

## 4.1 Analysis and Interpretation of Data and Findings.

### GENERAL INFORMATION

One important prerequisite for operating in an organised economy is the ability to register, seek recognition and be allowed certain rights and obligations according to the laws of the land. But as far as the indigenous savings associations are concerned, there is no doubt that they are concious the government does not recognise them, and the organised financial sector has not been particularly keen at any relationship with them. Their main consolation and motivating factor it appears, lies in the fact that they are recognised and their activities are highly patronized by the large number of customers they serve profitably (we shall have cause to discuss this in detail later on). They are therefore so sought after that the ratio of MAI ADASHE is 1 to about 1167 persons in Borno State as opposed to the commercial banks ratio of 1:200000 persons. There is no doubt therefore that they are a strong force to reckon with, and any financial arrangement or statistics about the financial sector that is arrived at independent of the volume of money held in trust by these associations is just an intelligent guesswork.

When inquiries were made as to how they will react if employed by the government or other external agencies, like banks to carry out this same function, and therefore serving as a bridge between the agencies and their present

Customers, the MAI ADASHE expressed willingness to do so only to the extent that they be guaranteed steady income; and also that the experiences they have painstakingly accumulated and tested in the field by trial and error over the years be respected and if need be adopted by the educated young men who will seat in the office. On the aspect of incentives like promotion, increaments; majority of the MAI ADASHE were of the opinion that what mattered to them was not salary increases or promotions, but largely because of their age, they were concerned more with how they can maintain their household when they retire and can no longer go round to collect deposits.

Attempts to find out what they have done to seek relationships with other agencies exposed some sign of regret and suppressed anger, but revealed that suspicion and distrusts has militated against the formation of unions comprising all practitioners, who can from time to time come together under one umrella to discuss common problems and contribute their quota towards economic recovery and development. Other major constraints in this direction also are resources and logistics. By and large, the willingness to take the aborted meetings of the past as challenges are being geared up in their attempt to be allowed fundamental right and obligations consequent upon their registration like their counterparts in Imo State.

## 4.2 Appraisal of Operations

Trust is a very important element in the kind of thrift arrangement operated by the MAI ADASHE, and therefore whoever engages in the business must be seen and proved to exibit transparent, honesty and sincerity in his financial relations with the people. Infact there is no gainsaying that to put one's finances in the custody of another man presupposes that he has something with which to protect this money which one does not have. In typical traditional situations it may be because he has supernatural powers that protects and cleanses any monies kept in his custody, or that because of his age he is like an elderly brother or even a father who helps in taking care of the wealth of his juniors or children; but in this case for a token fee. From the data collected it was shown that about fifty three percent of the MAI ADASHE's fall within the age bracket forty to fifty years (see table 1)

Ageprequency table from data (Table 1)

| Years | Frequency | Rel. Frequency % |
|---|---|---|
| 10-20 | 0 | 0 |
| 20-30 | 30 | 10 |
| 30-40 | 70 | 23.3 |
| 40-50 | 158 | 52.7 |
| 50-60 | 42 | 14 |
| 60 and over | 0 | 0 |
| | 300 | 100 |

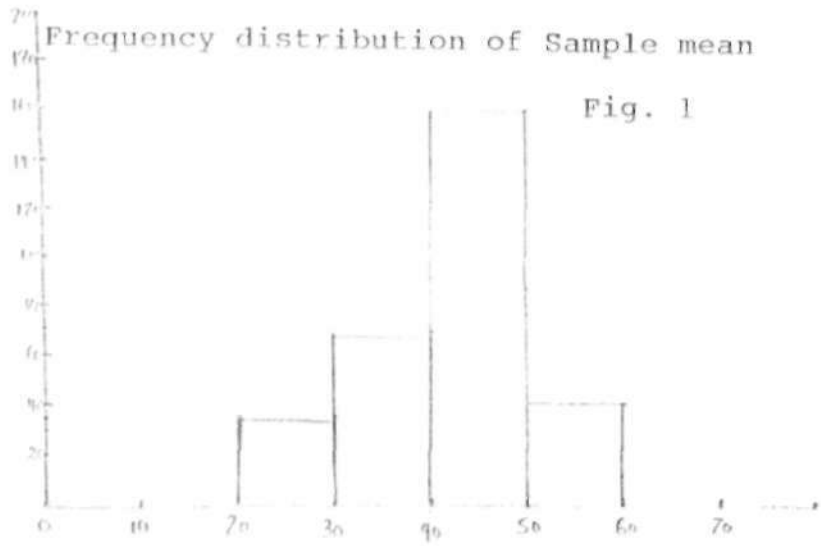



Fig. 1

Responses from clients indeed confirmed that the older the MAI ADASHE, the more trustworthy to deal with even though he had a low level of education. Furthermore at this age too he must have gradually undergone the test of honesty and also with his long experience, (experience here being the function of time) he is able to keep a large clientele with which to operate what has now become almost part of his everyday existence. It was also shown from the data that the more experienced MAI ADASHE had a larger followership of clients compared to his lesser experienced counterpart; and of course since the number of clients determined the volume of transactions or business done in Niara terms, the older and more experienced ones also controlled larger volumes of business than their counterparts who were less experienced. Furthermore the total cost of operations of the MAI ADASHE is relatively small and typically made up of the following:

Transportation - seventy percent, stationery - twenty-five percent, office accommodation and others - five percent.

Transportation takes the lion share in the cost of operations and is often so because the MAI ADASHE goes round himself to collect the deposits from members; and also the relatively little cost for office accommodation is infact explained by the fact that almost none of them maintains what can rightly be described as an office for the sole purpose of operating the ADASHE.




Fig 2

Distribution of Operating Expenses

Besides a look at the data shows that in order to be everywhere their customers are, to collect the deposits, sixteen percent of the MAI ADASHE's had cars; ten, two and seventy two percents used bicycles, foot and motorcycles respectively. If we note the maintenance and operating costs, it will be realised that the MAI ADASHE had to make on the average more than he spends on transportation and the other items in order to break even. Since the MAI ADASHE required a large number of customers to break even therefore, and since the number of customers and business volume depended on experience which is reflected by age, we can safely conclude that about sixty seven per cent of the operators of the scheme reached or exceeded the break even points, i.e. those in the 40 - 60 years age bracket.

This was indeed confirmed from the available data since two hundred and fifty three or eighty four percent of them infact exceeded the break even point every month.

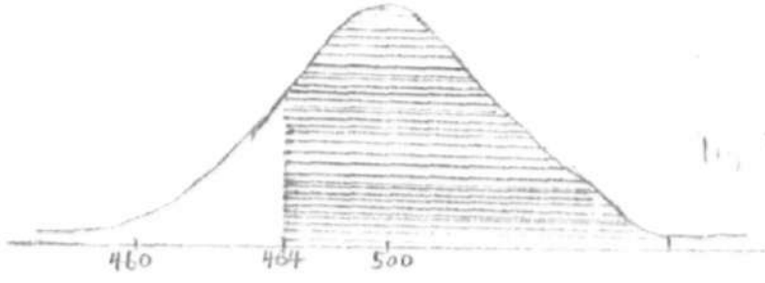
If we may consider Alhaji Usman Dan Borno[16] who had the following relationships:

Average charge per client ₦30.00. Fixed cost ₦5,800 and variable costs of ₦17.50

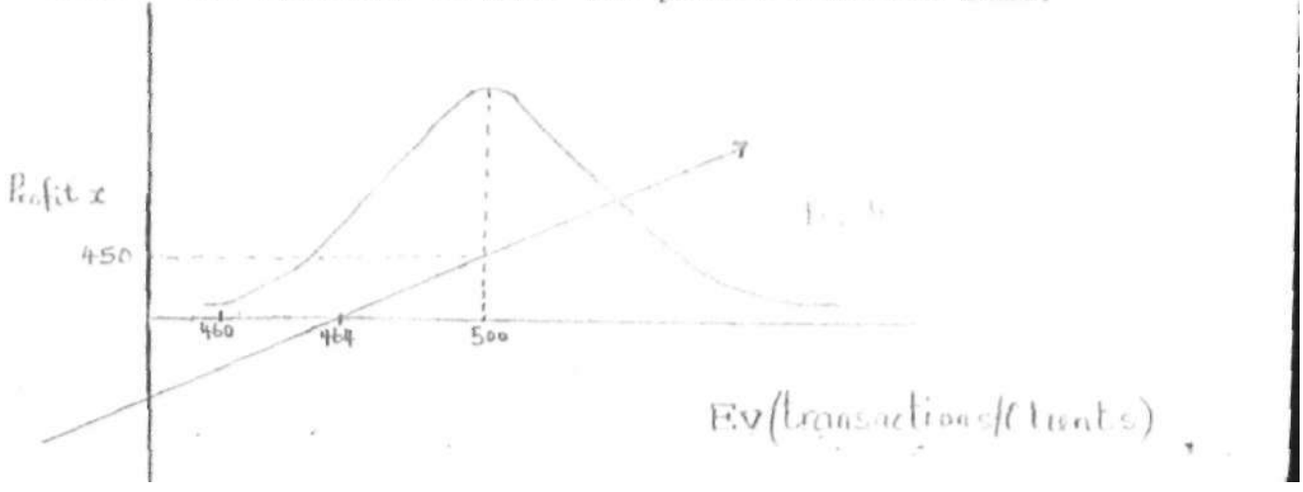
We will have a break even point of:

$$BEP = \frac{5800}{30-17.5} = 464 \text{ Clients}$$

With an expected transaction with 500 clients then there is 2/3 or (.667%) chance that actual number of transactions with clients to be within 400 transactions of the mean. The probability that clients/transactions will exceed 464 is the shaded are:




for an EV (T) 500, standard deviation 40 and break even = 464 clients, we have the profit function thus:

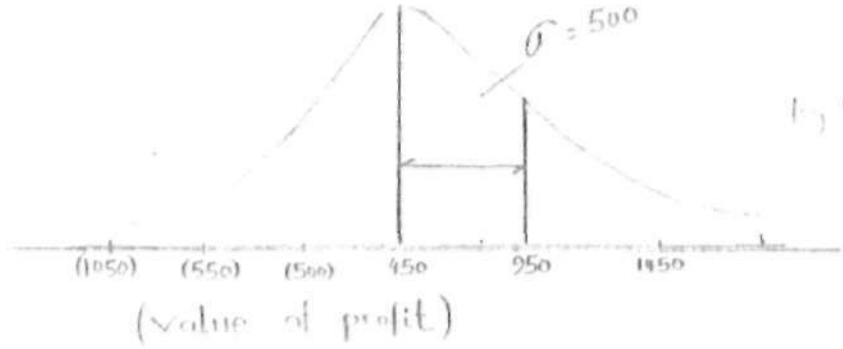


Expected profit is give by:

$E(P) = E(T)\ (P-V) - FC = ₦450$

Also the standard deviation = 40 x 12.50 = ₦500

Therefore since probability distribution of sales volume is normal with mean 500 and standard deviation 40 transactions, the probability distribution of profit is normal with mean ₦450 and standard deviation of ₦500.




It will be easily appreciated therefore that the operations of the indigenous savings associations are carried out with a reasonable margin of profit as shown by Alhaji Dan Borno figures, who also has degree of operating leverage given by:

$$\frac{X(P-V)}{X(P-V)-F} = \frac{500(30 - 17.50)}{500(30 - 17.59) - 5800} = \underline{13.8}$$

# CHAPTER FIVE

## 5.1 Summary of Findings and Recommendations.

Findings as they relate to Objectives of the Study:

There is no doubt whatsoever that the role of intermediation has been and continues to be a crucial one in the country, but more importantly that the approaches by the different types of financial institutions depending on whether they are in the organised or unorganised sectors also differs. The indigenous saving association's have been able despite all the limitations to carve out a practice that is significantly less sophisticated and in some cases more efficient than to modern banking practice, that is a challenge to the validity of its theory. They have made efforts at orienting their activities in a wider social sense, by extending their thrift facilities to very low income earners, small traders, illitrates etc. and their services have been accepted by a large proportion of the population in both the rural and urban areas. This pehenomena if viewed against the failing compulsory rural banking scheme shows that the modern banking sector has not followed the right approach to the psychology behind majority of the peoples savings behaviour. In other words, what has happened is that modern banking has really suceeded in seperating a very large number of savers from the financial system, and by so doing helped to extinguish rather than helping to cultivate or teach the banking habit. What is required now is the indigenisation of the banking system, by approaching the indigenous saving associations in the right way and intergrating them into the organised financial sector.

The approach, purpose and philosophy of the modern banking sector has to change; if this happens then it seems abvious to forsee an increase in patronage and extension of their facilities for savings.

Perhaps the performance of these associations can be explained not just in terms of their operational philosophy and approach, but also in many cases by their possessing inferior organisational techniques and resources like in finance, equipment and information. The inadequate and poor recording system was indeed pathetic as no standard method of record keeping was encountered. However the impression arose that this general feeling and emphasis shifts major consideration from another fact that the problem is not solely that of inadequate recording but also the inability to bring the existing records generated together and see how they can be used with prediction models to aid in planning and administering of the activities of the associations.

Government and its agencies also have a role to play in changing the attitude of every segement of the society by pursuing policies that serve as incentives and catalyst for development. It's direct effort should not neglect the lack of formal education and ignorance to the values and techniques of efficient management among the MAI ADASHE. We should be able to modernise our local institutions for this country to make any headway.

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Besides, sufficient information has been generated from the rural banking exercise to pass some judgement on their approach to mobilizing savings in the 'rural' areas of this country. It would appear already that the banks opened in these areas are thinking in an urban sense. For example how rational is it to expect that when a villager goes to open an account, he is required to produce passport photographs, when infact photographers are non existent in the rural areas. May be the villager is expected to travel to the nearby urban settlement at the risk of his life and money to produce same. Also many of the village people wonder why they should be required to present referees for banks before they open an account and deposit their hard earned money. Is it not more logical and reasonable for one to think that it is the banks that should produce referees (since they are infact foreigners) to be entrusted with money for safekeeping by the rual dwellers. Indeed is it not possible too for the banks to be tactical rather than rigid, and contingently adopt more reasonable ways of ensuring that their customers in these areas can at least be able to withdraw their money at any time they want, even if this will be subject to certain limits. An exercise like the rural banking scheme certainly deserves more thorough studies on how to go about executing it. We all have conceeded to the fact that a lot of money is lying fallow in these areas, but the approach we are adopting in attracting this resource is not a genuine and serious one. Infact more studies/research should be commissioned to find out the formular to do this, and avoid turning the scheme into a drain pipe of scarce

resoruces especially if the economy should automatically start operating on a different gear and frequency. It is better to shape the iron while it is red hot.

## 5.2 RECOMMENDATION

The compulsory and contractual savings behaviour in our society should be further studies by commercial banks. It appears to us that it contains the clue to the missing link in the attempt to cultivate the 'savings bait' among our people. The banks indeed owe it a duty to teach its customers and help them make the best out of their money. Our bankers current efforts at encouraging the banking habit is not enough as most of their customers' maintain pigeon hole accounts; and neither the customer, the bank or the society is benefiting.

Furthermore, our commercial banks are encouraging and helping to develop false living in our society. Some people have specialised in negotiating loans and riding Mercedes Benz Cars, bilding houses here and there and living very big on borrowed money extravagantly and oestentiously causing envy, jealously and crime. We are aware of the legal restrictions, but these should be relaxed so that projects, estates, and other property executed with borrowed bank money can be easily identified so that people don't envy those in possession of these artifacts.

Besides, the recognition and registration of the indigenous savings associations is long overdue; this is essential to make them operate freely especially since the populace recognises them, values them and requires their services. Their registration may well increase government revenue by way of registration fees and taxes. Infact failure to legitimise their business in the face of growth and development may one day bring them to a tight corner with the government, and force them to go underground; this will cause further problems for the wobbling economy.

Suffice to say, their practices can be modernised, and they could be developed into an active factor in the search for a truely modern, efficient and yet indigenously based and operated banking system. First a deliberate campaign should be launched to seperate the activities of the associations from those of the MAI ADASHE/himself, and also to impart simple management tools into these associations operations. This campaign could start by encouraging the MAI ADASHE to employ or recruit their children or relatives with seondary school education into the scheme. While these blood relatives will appeal to the MAI ADASHE, it will also be easy to instruct these 'NEW MAI ADASHE in Training' on those mechanical aspects of banking and finance techniques like bookkeeping, simple cash management control models, elementary security analysis etc. which the MAI ADASHE will not easily cope with; but which should form the frame-work for development of the associations. The media for this campaign and instruction should include radio, television programmes, and also recorded cassette tapes.

This arrangement could be completed by emphasis on record keeping. The MAI ADASHE should also be taught how to process, analyse and interprete the result of this activities.

Infact these associations could be used effectively in organising co-operatives of traders and craftmen, and helping to channel small scale and also agricultural loans in the areas where they operate

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16. This part of the work benefited from the immense co-operation C/o Alh. Usman Dan Borno Mai Adashe C/o Monday Market, Maiduguri.

QUESTIONAIRE TO BE COMPLETED BY PARTICIPANTS OF ADASHE SCHEME

1. Do you belong to any mutual aid association?

Yes [ ] No [ ]

Please give reasons

(a) Lack of Banking Services

(b) Simplicity

(c) .....

2. Do you maintain a Commercial Bank Account?

Yes [ ] No [ ]

Give Reasons

3. Do these two types of institutions compete for your patronage?

Yes [ ] No [ ]

4. How often do you contribute to the associations?

Daily [ ]

Weekly [ ]

Monthly [ ]

Others [ ] Specify

5. Is there no other istitution that can satisfy your savings needs

6(a) What major advantage do you derive from belonging to the association?

6(b) What disadvantages are there in belonging to the associations?

7. Do you thing your contributions is safe in the hands of the MAI ADASHE?

Yes [ ] No [ ]

8. If answer to question 7 above is No, please explain the reasons.

9. What in your opinion do these associations contribute to their members and the society

10. What suggestions do you have to make the Adashe scheme more effective

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QUESTIONAIRE, TO BE COMPLETED BY MAI ADASHE

1. Name ----------
(Optional)

2. How old are you?

25 to 30 years | |

35 to 40 Years | |

40 to 50 years | |

50 years & above | |

3. How long have you been engaged in organising the mutual aid scheme

Below 5 years | |

5 - 10 years | |

10 - 20 years | |

Above 20 years | |

4. Is your association a registered one?

Yes | | No | |

5. If your answer to question 4 is No, why not?

6. Do you have any employees?

Yes | | No | |

7 If yes, how many?

8. How many customers/members do you have?

Below 10 members | |

11 - 30 members | |

31 - 50 members | |

Above 50 members | |

9. How do you go round to collect the contributions

On foot | |

By bicycle | |

By motorcycle | |

By Automobile | |

10. Do all members contribute unfailingly?

Yes | | No | |

11. If answer to question 10 is No, give possible reasons

12. Do you keep records of all transactions with members?

Yes | | No | |

13. Can you read and write

Yes | | No | |

14. If answer to question 13 is yes, how well?

Very well | | Average | | Just a little | |

15. Do you make loans available to:

(a) Members Yes | | No | |

(b) Non Members Yes No

16 Do you operate an account in any commercial bank into which you deposit your collections periodically?

Yes | | No | |

17. Why do you maintain Bank Account?

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18. Do you receive any financial assistance from your bankers to enhance the performance of the association?

Yes [ ] No [ ]

19 If answer to question 18 is yes, explain the type and magnitude of the assistance

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20. Do you receive an assistance from the government, either local, state of Federal?

Yes [ ] No [ ]

21. If answer to question 20 is yes, explain the type of assistance and its magnitude

22. Please make a list of some of the problesm facing your association in order of importance:

1. ---
2. ---
3. ---
4. ---
5. ---
6. ---
7. ---

23. What suggestions do you have, which if implemented, will make you associations perform better than they are doing now:

1. _____

2. _____

3. _____

4 _____

5. _____

6. _____

Thank You