

A HISTORY OF AGBONMAGBE (WEMA) BANK 1945 – 1972

BY

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## DECLARATION

I declare that this thesis is a product of my effort and it has never been presented for any scholarly endeavour elsewhere. Therefore, all sources of information quoted are duly acknowledged in footnotes and provided in the bibliography.

.....

(Signature)

.....

Date

## CERTIFICATION

This thesis titled, ‘**A HISTORY OF AGBONMAGBE (WEMA) BANK 1945 – 1972**’ by Vincent EJAMAH, meets the regulations governing the award of the degree of Master of Arts (MA) History of Ahmadu Bello University, Zaria and is approved for its contribution to knowledge and literary presentation.

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## **DEDICATION**

This work is first and foremost dedicated to God Almighty for his lofty and ennobling grace in my life; then, to my parents Mr. and Mrs. Cosmas EJAMAH and my siblings for their sacrifice and enthusiasm for knowledge.

## ACKNOWLEDGEMENTS

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## ABBREVIATIONS

A.B.U.....	Ahmadu Bello University, Zaria
A.C.B.....	African Continental Bank
AWAM.....	Association of West African Merchants
BBWA.....	British Bank of West Africa
BENPROF.....	Benin Province
C.F.A.O.....	Compagnie Francaise d’Afrique Occidentale
CO.....	Colonial Office
DCI.....	Department of Commerce Industry
DCO.....	Dominion Colonies and Overseas
LBA.....	Licensed Buying Agents
NAAIE.....	National Association African International Exporters
N.A.I.....	National Archives Ibadan
OYOPROF.....	Oyo Province
PROF.....	Province
S.C.O.A.....	Societe Commerciale Ouest Africaine
U.A.C.....	United African Company

UI.....University of Ibadan

UNILAG.....University of Lagos

VOL.....Volume

WACB.....West African Currency Board

WRDB.....Western Regional Development Board

WRPDB.....Western Regional Produce Development Board



## **GLOSSARY**

The following alphabetical letters: £, S, and D, as employed in this thesis represent the units of British Monetary values, and they connote the equivalent currency units in Nigeria. Therefore, the symbol (£) here and throughout the work, shall be interpreted as the pound, while the symbol (S) stands for the shillings. And the symbol (D) represents Pence, a unit of Nigerian coin worth one twelve of a shilling.

£.....British pound

S ..... Shillings

D.....Pence

## TABLE OF CONTENTS

Title Page	-	-	-	-	-	-	-	-	-	-	i
Declaration	-	-	-	-	-	-	-	-	-	-	ii
Certification	-	-	-	-	-	-	-	-	-	-	iii
Dedication	-	-	-	-	-	-	-	-	-	-	iv
Acknowledgements	-	-	-	-	-	-	-	-	-	-	v
Abbreviations	-	-	-	-	-	-	-	-	-	-	vi

### **Table of Content**

#### **CHAPTER ONE: GENERAL BACKGROUND TO THE STUDY**

1.1	Introduction	-	-	-	-	-	-	-	-	-	1
1.2	Statement of the Research Problem	-	-	-	-	-	-	-	-	-	2
1.3	Aim and Objectives of the Study	-	-	-	-	-	-	-	-	-	4
1.4	Significance / Relevance of the study-	-	-	-	-	-	-	-	-	-	5
1.5	The Scope of the Study	-	-	-	-	-	-	-	-	-	7
1.6	Research Methodology	-	-	-	-	-	-	-	-	-	8
1.7	Literature Review-	-	-	-	-	-	-	-	-	-	12
1.8	Justification of the Study	-	-	-	-	-	-	-	-	-	16
1.9	Geographical Location and Historical Background	-	-	-	-	-	-	-	-	-	19
1.10	Conceptual Discourse of the Banking System-	-	-	-	-	-	-	-	-	-	20

#### **CHAPTER TWO: THE NATURE OF THE PRE-COLONIAL ECONOMY OF THE**

#### **SOUTHWESTERN NIGERIAN AREA UPTO THE 20<sup>TH</sup> CENTURY**

2.1	Introduction	-	-	-	-	-	-	-	-	-	23
2.2	The Nature of the Economy of Southwestern up to the 18 <sup>th</sup> Century-	-	-	-	-	-	-	-	-	-	24
2.3	The Pattern of Political and Economic Organization in the	-	-	-	-	-	-	-	-	-	

	Southwestern Nigerian Area- - - - -	28
2.4	The Pattern of Production System Up to 19 <sup>th</sup> Century- - -	35
2.5	The Nature of Economic Exchange in the Area up to the 19 <sup>th</sup> Century- -	39
2.6	Medium of Exchange up to the Time of Conquest of Southwestern Nigerian Area- - - - -	42
2.7	Indigenous Saving Institution in Southwestern Nigerian Area up to 1892- -	45
2.8	Changing Pattern of Indigenous Economy to External Demand - -	48
2.9	Conclusion - - - - -	49

**CHAPTER THREE: INTRODUCTION OF COLONIAL FINANCIAL/ECONOMY SYSTEM  
IN NIGERIA 1860-1945**

3.1	Introduction - - - - -	51
3.2	British Pound Currency as Medium of Exchange in the Area - -	52
3.3	The Role of Finance in the Conquest of Southwestern Nigeria- -	56
3.4	The Introduction of British Financial Institutions in Southwestern Nigeria -	61
3.5	The Establishment of British West African Currency Board in 1912- -	64
3.6	The Activities of European Trading Companies in the Area.- - -	68
3.7	The Establishment of West African Marketing Board- - -	75
3.8	Credit, Cash Shortage, and Moneylender in the Political Economy of Southwestern Nigerian up to 1945 - - - - -	79
3.9	Conclusion - - - - -	85

## **CHAPTER FOUR: THE ESTABLISHMENT AND ADMINISTRATION OF**

### **AGBONMAGBE/WEMA BANK 1945 – 1962**

4.1	Introduction - - - - -	87
4.2	The Start of Wema as Agbonmagbe Bank in 1945 - - - -	87
4.3	The Place of Family Property in the Bank - - - -	93
4.4	The Colonial Reaction to the Activities of Wema Bank in Southwestern Nigeria	98
4.5	The Agbonmagbe Bank and the 1952 Paton Banking Ordinance Policy -	101
4.6	The Relationship Between Wema Bank and other Joint-stock Bank - -	106
4.7	Changes in the Operation of Banking System in Nigeria up to 1962 -	108
4.8	Conclusion - - - - -	110

## **CHAPTER FIVE: THE ROLE OF AGBONMAGBE/WEMA BANK IN THE ECONOMY OF**

### **SOUTHWESTERN NIGERIA**

5.1	Introduction - - - - -	114
5.2	Changing Relationship between the People and the Masses-- - -	115
5.3	Processes of Account Ownership and Management- - - -	119
5.4	The Role of Banks in Formation of Indigenous Capitalist – elitist Class in Nigeria - - - - -	122
5.5	The Bank and Economic Decolonization Struggle in Southwestern Nigeria - -	125
5.6	The Bank and the Western Regional Government in 1954 - - - -	131
5.7	Change of Name from Agbonmagbe to Wema bank in 1969- -	135
5.8	The Place of the Banks in the Era of Indigenization Policies in Nigeria- -	138
5.9	The Impact of the Indigenization on the Economy and the Banking System -	142

5.10	Conclusion-	-	-	-	-	-	-	-	-	-	-	-	-	-	147
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**CHAPTER SIX: THE SIGNIFICANCE OF THE BANK ON THE SOUTHWESTERN  
NIGERIA ECONOMY**

6.1	Introduction-	-	-	-	-	-	-	-	-	-	-	-	-	-	149
6.2	The Relationship between Banking and the Legal Profession	-	-	-	-	-	-	-	-	-	-	-	-	-	150
6.3	Wema Bank and the Development of Education in Southwestern Nigeria	-	-	-	-	-	-	-	-	-	-	-	-	-	154
	General Conclusion	-	-	-	-	-	-	-	-	-	-	-	-	-	160
	Bibliography	-	-	-	-	-	-	-	-	-	-	-	-	-	164
	<b>Appendages</b>	-	-	-	-	-	-	-	-	-	-	-	-	-	181
	List of Tables	-	-	-	-	-	-	-	-	-	-	-	-	-	187
	List of Maps	-	-	-	-	-	-	-	-	-	-	-	-	-	189

## **ABSTRACT**

The study examined the establishment, survival, and the transformation of Wema Bank from Agbonmagbe in the colonial time, to Wema Bank in the post colonial economy of southwest Nigeria. The inter World Wars economic situation, the lopsided and deprived access to finance during the period, led to the establishment of the Bank as the second indigenous bank in 1945; as against the period 1892 to the 1940s when imperial banks dominated and controlled the economy. With the use of oral interview, archival, and secondary materials, using “political economy” and “structural function” theories, the study established that the bank was important to the Western Regional government development policy. Thus from the period of 1954 – 1962, with the government support, the bank grew and had impact in the economic success of the Region. The combination of economic and political plans of the region becomes explicit in the management of the Regional Marketing Board and the indigenous banks in raising the standard of merchants and business people in Southwestern Nigeria. The pursuit of economic and political success through government investment in the bank, led to socio-economic developments especially in the educational sector. However, political crisis in the region in the first decade of independence threatened its survival hence, government’s takeover of the bank in 1969.

# CHAPTER ONE

## GENERAL INTRODUCTION

### 1.1 Background of the Study

It is needless to say that economic motive, more than any other, formed the basis of imperial project in Africa as in other part of the world. One of the measures adopted for this was first, the transformation of the economies of the areas with the introduction of export/money oriented economy. The imposition of British currency as payment system in British West African territories: monetized, and made the economies of the areas financially subordinated to British economy.

Second and more fundamental, was the introduction and importation of certain financial institutions in the region.<sup>1</sup> Institutions such as the Merchant Houses, West African Currency Board, Post Offices in addition to Banks, helped to institutionalized colonial economy and the domination of the region. It was argued that far-reaching changes took place in Nigeria's political economy with the introduction of these financial institutions by the Imperial nations, especially, with regards to the establishment of West African Currency Board.<sup>2</sup> Such that certain commodities currencies (Cowries, Rods, Copper wire, Manila, Brass rod) used as the medium of exchange were replaced by British silver coin, and its imposition as a payment system in Nigeria reordered the societies.<sup>3</sup>

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<sup>1</sup> S. Abdulrahman, "An Evaluation of the Performance of Nigerian Capital Market Before and After the Banking Sector Consolidation Exercise (2001 and 2002)" in *Journal of Business and Management Review*, Vol. 2, No. 6, 2013 P. 1

<sup>2</sup> F. A., Olalokun, etal, *Structure of the Nigerian Economy*, (ed.) Macmillan press, London, 1979, p.178

<sup>3</sup> A. G., Hopkins, "The Currency Revolution in South-west Nigeria in the Late Nineteenth Century", *Journal of the Historical Society of Nigeria*, Vol. iii, No.3, December, P. 471

It was the significance of the changes and its impact on the economy that informed the basis for this research. The work discussed among others, the concept, impact, and importance of the banking system in the economy, using Wema Bank as a case study.

Agbonmagbe/Wema Bank, one among the first national banks established in Nigeria in 1945 as a family business of Matthew Adekoya Agbonmagbe Okupe<sup>4</sup>. Its establishment reflected some of the challenges in the nature and pattern of colonial economy of the time. Following the hardship and lack of credit experienced in the economy, necessitated the need for national financial institutions to serve as a fecund prospect for business people and economic activities in Nigeria. This coincidentally, happened at the period of the Second World War that came with harsh economic policies, thus, setting the tune for agitation and political decolonization in Nigeria.

## **1.2 Statement of the Research Problems**

The effect of the 2008 global financial crisis affected financial institutions in Nigeria leading to crisis and friction of economic activities. The crisis led to the liquidation and the merger of some banks in the country. The effect of the crisis showed the centrality of banks in the operation of the national economy. Therefore, the research sought to know, what; actually is the role of banks in the economy using the example of Agbonmagbe Bank one of the oldest surviving national banks in the country.<sup>5</sup>

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<sup>4</sup><file:///C:/Users/user/Downloads/IN%20DEFENCE%20OF%20CHIEF%20MATHEW%20ADEKOYA%20AGBONMAGBE%20OKUPE.htm/www.mouldmepr.com,Monday,13August2012@benskynews>

<sup>5</sup>The Agbonmagbe Bank now Wema Bank was the second indigenous bank established and managed by Nigerians after the National Bank of Nigeria established in 1933. But with the acquisition of National Bank of Nigeria by Wema Bank in the 1980s, makes the Wema Bank the oldest indigenous bank operating among other first generation banks (First Bank of Nigeria and Union Bank) which had started with imperial connection and capital.



Why was there the need for the formation of national banks like Agbonmagbe Bank in spite of the presence of other well established imperial banks in the southwest area? The monetized economy which began with the imposition of imperial currency, to replace the commodity currency was said to be the anvil for the establishment of banks at period. Such that by the 1880s, the old (commodity) currency system was on the decline as a result of the introduced silver coin of Cowries and the difficulties of the barter system.<sup>6</sup> How did monetized economy contributed to the establishment of national banks in the Nigeria area?

We desire to know how the introduction of imperial currency of the British pound and silver coin, which became the corner-stone of a banking system in Southwest Nigeria, in many ways, alienated and exploited the resources of the Nigerian people. And also, to know how the need for money led to the establishment of indigenous banks especially Agbonmagbe bank. How it related with foreign banks which had played dominant roles in the era of European conquest and domination of the Nigerian area.<sup>7</sup>

Hence we found out in this work how the Agbonmagbe bank which started as a family business survived and transformed to the Wema bank. And found out how it has enhanced indigenous people's participation in the economy opportunity in the merchant companies operating in the area as at then, as against the practices of the imperial banks. And what made it role different.

Secondly, is to understand why, in spite of the transformation of the economy with the presence of certain feature of capitalist economy, the monetary system could not, or did not integrate the Nigerian economy in to a full fledged capitalist economy. But rather, created a new

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<sup>6</sup> A.G., Hopkin, .P.483

<sup>7</sup> A.O. Umar, "Nigerian Economic Development 1884-1985; What Has Gone Wrong" in Mamman, M. A. etal, (ed.) *Seminar on Nigeria Since the Berlin Conference*, Vol. 1. ABU Press, 2012, P. 7

dependent economy known as colonial commercial capitalist economy. How the Agbonmagbe bank, one of the indigenous banks that started in the period of bank failures, survived the colonial machination and yet, metamorphosed in to Wema bank today. The study sought answers to what was the nature of relationship between Wema bank and western regional government. What was the factor(s) responsible for the establishment of the bank? What is impact on the people and the economy?

### **1.3 Aim and Objectives of the Study**

The aim of the study is to understand the essence and relevance of banks, and banking institution in the economy. The work therefore, brought out the importance and need for the establishment of Agbonmagbe (Wema) Bank especially with the presence of other big colonial banking institutions in the area at the time. It also brought out the need, and impact of the bank on society of southwestern region of Nigeria. Thus a study of the history of Agbonmagbe (Wema) bank, looking at how it started, its role in bridging the gaps in access to credit facility and the development of southwest economy is necessary to overcome the present challenges of financial crisis.

Parts of the objectives of the study are as follows:

- 1 To know the condition that favoured the establishment of a private limited liability bank in Nigeria at the period.
- 2 To study and bring out the role of the Wema bank to the society and the people of Southwestern Nigeria after it establishment.
- 3 To bring out the impact of Wema bank on the economy of southwestern Nigeria.
- 4 To understand the relationship between the Western Regional Government and the bank.

- 5 Understanding how the bank survived and transformed from Agbonmagbe to Wema bank.

#### **1.4 Significance/ Relevance of the Study**

The significance of the research is in manifold - first is to see how the concept of financial institution, regulates and controls the flow of financial resources allocation within an economy and thus, determining the healthiness or weakness of national economy<sup>8</sup>. As overwhelming as it seem today, most economies in the 21<sup>st</sup> century are grappling with the problem of financial crisis, an indication of the importance of finance and banks in development. As a result of the consequence of banks, and other global financial institutions' failures and how to overcome this challenges in the future. The implication of this has had great effect on the whole economy and thus affecting major economic and political decisions of the countries.

Therefore, the study of the nature of banks, and banking system in Nigeria in view of the global financial crisis, since the world had become so integrated that a problem in any part, seems to affect the whole. In light of this, the study enhanced our understanding of the prospects, problems, and working of finance capital in the economy. It is would be a guide to policy makers and the government in formulating and solving of practical problems.

Again, the study enhanced the understanding of the role of money such that by the 1880's domestication of the imperial currencies, led to the decline of pre-colonial currency system as a result of the depreciation of cowries. The decline, it was claimed did not merely emphasized the need for a new and stable medium of exchange, but also led to declined power of Nigerians from

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<sup>8</sup> J. Odia &P. Donwa, "Effects of the Consolidation of the Banking Industry on the Nigerian Capital Market" *Journal of Economics*, Vol.2,No.1, 2011, Pp.57-65

wealthy merchants to petty traders in the colonial period.<sup>9</sup> Hence the research, examined how the introduction of a new imperial or colonial currency system and subsequently, of correspondent financial institutions (Banking facilities) in the colonial era, helped in the development and consolidation of colonial economy.<sup>10</sup> And why the colonial economy at first, did not improve the positions of Nigerian merchants or bring about development of the economy.

This argument became necessary as it did not just enabled us to know the working of the banking institutions, but also to make a reasonable conjunction as to what their roles were, and their pattern of development might become in any economy. This is so because; there is a link between the concept of development and certain financial indices of credit in development. The banking institution played a major role in the generation of entrepreneurship through the mobilization of capital in enhancing industrial production in the decolonization period, especially in southwestern region.<sup>11</sup>

Strong saving culture, capital availability and banking institutions alone do not constitute the panacea to economic development. This is not taking cognizant of multiplicity of other factors, the dynamics of the mechanics and dialectical processes of relations between ‘production surpluses’ and ‘saving idea’ and more importantly, the political control of these indices. Whereby, the latter controls the nature of first. In others words, it is the amount or value of production in a society that determine level of its capital, and not its lack, that determine state of development.

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<sup>9</sup> See A. I., Nwabughuogu, “From Wealthy Entrepreneurs to Pretty Traders: The Decline of African Middlemen in Eastern Nigeria”, *Journal of African History*, vol. 23, No.6, 1982: P. 365

<sup>10</sup> Op’cit P.144

<sup>11</sup>See C. P. Kindleberger, *The Formation of Financial Centers: A study In Comparative Economic History* Number 114, August 1973.

The study, brought to fore the actual roles of banking institutions in the country. In addition, it also enabled us to know the “impact and dynamism” of the financial system with regards to “credit” and “development.” Perhaps, it elucidated the argument that the development of bank in the conventional sense was thoroughly, an imperial mean of exploiting the masses for the benefit of the few by bringing out its impact on the Nigeria people. It became obvious that banks may or may not make a positive contribution to economic development, depending not on personal qualities of the bankers but on the “structural characteristics of the entire political system, and the laws, regulations and customs” of the state.

The research shed light on the argument that financial institutions, from its inception, might be an exploitative system designed to facilitate the underdevelopment of the masses through the transfer of surplus abroad. In more recent years to facilitate capital accumulation by a small segment of the population in marked contrast to the general tendency among western scholar’s analysis and treatment of its emergence as a major catalysts of development.

More importantly, the impact and role of banking institution to very extent depends on the political actions of the state in form of regulations. This is while, it is noted that while the country was experiencing decline productivity in industrialization and agriculture in the colonial era, the banks and merchants capital have continued to make profit at high level at the expense of the general masses.<sup>12</sup>

## **1.5 The Scope of the Study**

For specificity, the research was limited to the establishment and development of the Agbonmagbe (Wema) Bank 1945 – 1972. The bank was established in 1945 as one of the first

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<sup>12</sup> M., Kwanashie, “Economic Crisis of the Nigerian Economy” in Mamman, M. A. etal, (ed). *Nigerian Economy and Society Since the Berlin Conference*, ABU Press, 2012, Vol. 1, P.38 & 39

national banks in Nigeria.<sup>13</sup> The start of the bank in the year 1945 was very significant as it serves as one of the protest institutions for independence from the British economic and political hegemony. Although, Wema bank which started as Agbonmagbe was not the first national bank in Nigeria, it was chosen because of its unique history and survival of the challenges in the financial terrain in the colonial era when national banks were referred to as “mushroom banks.” Subsequently, it did not only survive the period, but transformed and remained as the oldest national bank in Nigeria.<sup>14</sup>

The period 1972 was a period of indigenization policy that marked a major reformation in the Nigerian economy. The impact of the reformation was the redistribution of the stakeholder equity to the ratio 60 – 40 per cent of the foreign owned companies in Nigeria. The impact of this was that government acquisition in other banks weakened the position of Wema Bank.

In spatial terms, the research covered the southwestern Nigerian area with more attention to Lagos. This is because; Lagos, apart from being home to most merchants in Nigeria then, (who formed the Lagos Licensed Agents (LLA) and dominated the economy), Lagos has remained up to the present, the nucleus for financial institutions in Nigeria.

## **1.6 Methodology of the Study**

The two major sources used in the research were primary and secondary source materials. In the study of primary and secondary data, using the “political economy” and “structural functional” theories, the study discovered that the establishment and the development of Agbonmagbe Bank was very important to the development of the region. This explained

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<sup>13</sup> D. O. Chukwu, “Politics and Crisis in Banking in Colonial Nigeria: a Case Study of the African Continent Bank Limited” in *African Journal of Economics and Society*, Vol.9, No.182, 2006, P. 2

<sup>14</sup> P. 9

government's direct investment in the survival of the bank in 1969. However, due to the intricacies of money, and court litigations especially on the role and relationships between some personalities of the Action Group Party (AG) and the government, made it very difficult, at some point, impossible to get statistics data on certain important issues. Thus, lack of statistics on the number of beneficiaries of loan and credit from the bank, the role of the Okupe family in the management of the bank; the source of finance and the clear relationship between the bank and the Western Regional and Government in the colonial and the first decade of independent.

### **1.6.1 Primary Sources**

**(i) Archival Research-** Archival materials, which include colonial correspondences, minutes, quarterly and annual reports, and ordinances formed larger part of the primary data. These archival materials were obtained from the National Archives Ibadan (NAI). These materials were found in the PRO/CO, CSO Series, DCI, CE series and OYOPROF, IJEPROF, BENPROF. All these series were in the form of intelligence reports, district assessment and reassessment reports, tellers, memoranda, and touring reports.

These records contain information on different policies and subjects such as finance, banking, debt, import and export, taxation, money lending, and credit, etc. Archival materials were not originally intended for the general public but only for a restricted group of relevant colonial officials. These materials provided firsthand official evidence which were found to be useful in the study.

The major limitation of this materials is that, it is often than not, biased thus, the need to treat them with care. They largely contained anthropological and ethnographical notes which in most cases portrayed the racist perception of Nigerians by the British colonialist. However,

archival materials provided us with very useful empirical information thus, one of the main source used in the study.

**(ii) Oral Sources:** In order not to become victims of colonial and Eurocentric perception in our attempt at examining the history of Banking System in Nigeria, we have among other things, made use of oral sources too. Oral Sources contained information about the past experiences of the people, their culture, and traditions stored in human memory. It is preserved and transmitted from generation to generation, in memories, stories, legends, songs, poems, and proverbs. In fact, oral sources form a veritable knowledge used to corroborate the archival and written materials.

Our prior knowledge of the area and subject of study derived mostly from secondary sources, informed, and prepared us for the kind of field work we carried out. For example, the works of C. Ake, T. Falola, A. G Hopkins, A. G. Adebayo, U. C. Uche, etc., though, very informative but still left some questions that remained unanswered as far as the financial historiography of Nigeria is concerned. Hence, we interviewed quite a number of people, who though, with skepticism and unwillingness to be interviewed in money and banking issue. Interviews were conducted across gender to ensure a synthesis of views and gender balance of analysis in the study.

### **1.6.2 Secondary Sources**

**(i) Published Materials:** The Published materials were mainly consulted at the History Departmental Libraries of Ahmadu Bello University Zaria (ABU), University of Ibadan (UI), and University of Lagos (UNILAG). The Accounting and Business Administration Departmental libraries, Zaria, the Banking and Finance Departmental Libraries Lagos, Institute for



Development Research Library, Ahmadu Bello University, Zaria. Some of these important works are as follow.

## **(ii) Internet Sources**

In the course of the research, many scholarly and very resourceful internet materials with incisive analysis were used for the completion of this thesis. One of such invaluable site for the collection of data is the Jstor.org.ng. This site is a repository of international journals, academic paper reviews and reports collections of different scholars' works on money, banking, and the economy generally.

Another important site, the Google search provided the link to several specific economic materials informs of Journals, Articles and official file in British museum, Archives with vital information which otherwise, would have been out of the reach of the researcher. Examples of materials from this site are PhD dissertations, theses, like [www.stclments.edu/gradudof.pdf](http://www.stclments.edu/gradudof.pdf) and others acknowledged in the Bibliography.

Although, there are many published materials on banking, and financial institutions, but very scanty materials exist on “the history of Agbonmagbe/Wema bank” in particular. Thus, the research, generally consulted available materials on the economic historiography of the Western Nigerian area: specifically on money, credit and development in colonial Africa and other parts of Nigeria. Some of these materials are in the form of books, chapters in books, articles in Journals, and Seminar Papers. Some of the important materials discussed in this regards are as follow in the literature review.

## 1.7 Literature Review

The significance of any research work is based on the review of necessary literature. The reviewed of relevant literatures did not only bring out the gaps in the available works, but enhanced our knowledge on the topic. Hence, selected literatures relevant to this study were reviewed. In line with this, the following works were not just considered useful, but very important in understanding the working of financial institutions in an economy.

According to Hopkins in one of his Articles: *'The Currency Revolution in South-west Nigeria in the Late Nineteenth Century'* highlights the 'revolutionary' impact of the British pound currency and subsequently of modern banking facilities by the close of the nineteenth century, as the base of a new form of economy development known as Colonial economy in Nigeria. He argued further that far-reaching altercations took place in the Nigerian monetary system such that medium of exchange which consisted mainly of the 'primitive' currencies was replaced due to depreciation experienced in the other items, necessitated the introduction of a "modern" and stable medium of exchange in the area.

While the work summarized the apparent weakness of the commodities currencies generally termed as 'primitive' medium of exchange as the precedent for the introduction, and the imposition of the British pound currency as a standard medium of exchange. It also saw the need for the introduction of banking institutions in the country as a corollary for the transformation of the pre-colonial economy to a colonial economy<sup>15</sup>.

But, this work apart from its anthropological bias, is it also, silent on the roles of the banks and their failure to integrate the Nigerian economy into a full fledge capitalist economy. Despite the modernization of the economies of the area, through the imposition of the British

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<sup>15</sup> Op'cit, A.G., Hopkins, "The Currency Revolution in South-west Nigeria in the Late Nineteenth Century" *Journal of the Historical Society of Nigeria*, P.483

pound currency and the perceived role of the banking institutions in the development of a capitalist economy, the Nigerian economy did not witness any significant changes.

This work is of importance to us in understanding the role of money and banking institutions in the development of colonial economy in Nigeria. Even though, the main focus is on the transformation of the financial institution and not on the productive system. The work discussed the revolutionary impact of banking institution not in the lives of the people, but as the corollary of colonial economy. Therefore, this work bridged the gap by focusing on both, the banking and productive system and their impact on the economy.

In Ekezie's work: *The Elements of Banking*, he argued that it would not be totally correct to agree and conclude that banking system in Nigeria evolved with the introduction of paper money. He further argued that the idea of banking could be traced to as far back to the 13<sup>th</sup> century in the activities of the family of the Lombardy in London. Who through revolution and innovation evolved lending and credit practices known as the conventional banking system practices today.<sup>16</sup>

This work is very handful in tracing the history of banking in its simple form beyond the introduction of currency. And the roles of private individual like the Lombardy family, in the business of banking organization which was helpful, in understanding the role of the Okupe family in the formation of bank. But beyond the general knowledge, there is little on the evolution of the banking in the pre-colonial era of our area, and the impact of the banking system in the Nigerian economy. It is this gap that this research seeks to fill.

Okigbo's study titled '*Nigeria's Financial System, Structure and Growth*', identifies two types of financial institutions – monetary and non monetary financial institutions, with a function of facilitating the transfer of money between economic units and regulating the employment of

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<sup>16</sup> E.S. Ekezie, *The Elements of Banking*, Africana publisher, Onitsha, 2006, P.68

income and prices.<sup>17</sup> This work gives us the linkage between the financial institutions and the assumed role in determining the level of economy development. But with little or nothing about the linkages of the financial institutions with other sectors of the economy, especially the productive sector in the area of employment generation, which in turn, determines the structure and growth of the financial institutions in any country.

Odife, in his work '*Structural Adjustment and Economic Revolution in Nigeria*', saw the end of the evolution of Nigerian financial system in the pattern of the British system during the colonial domination to have ended with the attainment of the republican status in the country. He arrives at this because all the vital legislations relating to the financial operation, appear to have been enacted prior to, or around the establishment of the central bank of Nigeria before the period 1963.<sup>18</sup> This seems not to be the case with the promulgation of the 1972 indigenization policies in Nigeria. The 1972 ordinance, seek to end the principles and practices, and the domination of Europeans in the sector. This work looks at the need and effect of the 1972 indigenization policy on the economy.

Bade Onimode's *Imperialism and Underdevelopment in Nigeria*, sees the colonial financial system [especially the banking institution] as the umbilical-cord which tied Nigeria bilaterally to British imperialism.<sup>19</sup> It follows that the development of the colonial financial system was- thoroughly exploitative conduit system designed specifically for the transfer of Nigeria's enormous surpluses for the development of imperial nations.

Lenin in his work '*Imperialism: the Highest Stage of Capitalism*' brings out vividly, the principal and original function of banks as merely serving as intermediaries in making payments. He argued that as banking develops and becomes concentrated in the society, the banks grew

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<sup>17</sup> Okigbo, P. C. N., *Nigeria's Financial System, Structure and Growth*, Longman Groups, Ibadan, 1981. P.21

<sup>18</sup> Op'cit, Odife, D., *Structural Adjustment and Economic Revolution in Nigeria*, P.147.

<sup>19</sup> B., Onimode, *Imperialism and Underdevelopment in Nigeria*, Macmillan Press, Ibadan, 1983. P. 92

from humble intermediaries into powerful monopolies controlling the means of production and the sources of raw materials of a given country.<sup>20</sup>

It also shows how the concentration of capital and the growth of bank turnover radically changed the significance of banking operation in the world. Banks through this, influence, restrict or facilitate, enlarge or hinder the availability of credit in circulation.<sup>21</sup> As a result, banks could determine the state of the economy, influencing the flow of income.<sup>22</sup>

In the works mentioned above, the authors gave a good theoretical discourse of the exploitative role of banks in any nation's economy. Apart from this; the works also helped us to understand the place of banking institutions as a sine quo non in the development of capitalist economy.<sup>23</sup> The works, though, gave very important points in the understanding the working of the banking institutions in nations' political economies especially a colonial economy like that of Nigeria in the expropriating and exploitation of the people and their resources for the benefit of the colonizer. Yet, the works gave little or no discussion of why every nation and its people always desired to formation and own a bank in the period 1940 – 1952 generally termed the bank-rush in the country. This forms the need for this research.<sup>24</sup> And it did not discuss why in spite of the obvious exploitative tendency highlighted, the banking system continuous to exist an economic institution in most economies.

Also very important to this study are the works of T. Falola, '*The Political Economy of a Pre-colonial African State: Ibadan, 1830-1900*', and Marx's '*Capital*'. Both works discussed the

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<sup>20</sup> V.I., Lenin, *Imperialism: The Highest Stage of Capitalism*, Foreign Language Press, Peking, 1975, P. 31

<sup>21</sup> *Ibid*, P.37

<sup>22</sup> *Ibid*, P.44

<sup>23</sup> *Ibid*, P.33, see W., Rodney, P.193, and also B., Onimode, P.9

<sup>24</sup> Apart from the work of V.I. Lenin that discussed the processes in the evolution banking systems, others did not mention or give details on the evolution and development of Banks. Even though, the works acknowledge the role of banks as an exploitative institution, the works did not explain it availability in all economy.

concept of bank and banking system and its origin from a simple process of surplus accumulation of capital, to the stage when unused capital was lent or borrowed out<sup>25</sup>.

Falola's work shows how the concept of Iwofa among the Yoruba is similar to the idea of banking where the rich or wealthy give out money or other items to those in need.<sup>26</sup> Again, this work did not focus on the evolution and development of banking neither did it give us details on the development of an imperial type of banks. However, it provided detailed information on the idea of banking in a Pre-colonial state. Thus our argument here that if the ideas and practices indigenous saving institution was allowed, would have, through innovations and borrowing, give rise to the banking institutions as practiced in today.

### **1.9 Justification for the Study**

Part of the justification for the work was the need to understand the underlying factors behind the history, development of banking institution in Nigeria. To see whether the Wema bank grew out of the capital drought experienced by the indigenous people or due to the abundance of the family of the Okupe at the time. If the idea had grown from the financial abundance experienced in the Okupes family, what then were the role of the tradition or indigenous institutions of Iwofa, Susu, Esusu and others corporative institutions in the area before the emergence of the banking institutions.

Due to the importance attached to the role of financial institutions as a facilitator and resource allocator in an economy that informs the desire to research the introduction and development of banks, and banking system in Nigeria, with special reference to Wema bank 1945 - 1972. This work studied the historicity, and changes that took place in the bank from its

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<sup>25</sup> K., Marx, *The Capital*, Progress Publisher, Moscow, Vol. iii, part ii, P. 144

<sup>26</sup> T., Falola, *The Political Economy of a Pre-colonial African State: Ibadan, 1830-1850*, University of Ife, Ile-Ife, 1984. P.61

introduction in colonial era up to 1972. It also brought out how the struggle for decolonization was promoted in the economic front with the formation of banks at the period.

By way of, facilitating and liberating credit to the Nigeria elitist as at the time for their participation in the economy activities, the period saw the introduction of many other indigenous banks shortly after the establishment of Wema Bank of Nigeria in 1945. It discussed how banks were used as struggle for identity and chances for survival. Also brought out the mode of operation of the latter (indigenous) banks, whom interest they promoted, and to see how their operation, differ from the foreign own Banks.

Another justification of this work is to bring out the adaptability and the resilience of the Wema bank in Nigeria while others indigenous banks that started at the same time failed. This would be done with a view to understand the political and the economic environment in the country at that time 1892 to 1952 that generally termed as free banking era, noting the changes in the process of account ownership and maintenance operation in the bank at the time.

The research enabled us to find out the actual role of financial institutions likes the banks in the nation's economy; this would be done with the aim of tracing its history and development of banking system in Nigeria. While doing this, we would also try to bring out the various changes that have taken place in the operation in: colonial and post colonial banking policies, ownership, and maintenance of accounts. Again, the justification of this work would be located in the need to understand what type of, and the mode of production that favoured the emergence of indigenous banks in the country at the time. This would be done with the aim to trace the how Wema bank emerged, and when it emerged, how it has bridged the gap between the few rich

elitists class and the majority of the populace who are poor and often alienated the operations of colonial banks.

Partly connected to this, is bringing to the fore the formation of several banking institutions in the period generally referred to “mushroom” banking formation in Nigeria. It also enable us to know how many other indigenous banks formed at the period, failed to transition beyond the registration of the names of the company on paper but never performed any real banking activities.

The research sought to understand why the notion held by merchants in southwestern region especially the “nouveau riche” that no people can be regarded a nation unless it has a national institutions, and the regard of the banking institution is one of the most important institution. It work is also justified in the how the government and the people used the banking institutions for economic development in the region.

The pattern of this development would be tied to the colonial economy and the various ordinances use by the government to either regulate or control the economy of the Nigeria. Above these, to know why, the presence of financial institutions especially banking institutions have helped the capitalist nations to develop, and has failed to achieve same in Nigeria. There was the need to know its survival and the justification for the promulgation of the 1972 indigenization policy in Nigeria.

The research also brings out the factor or factors behind the crisis witnessed in banking with the emergence of private banks in Nigeria 1950s. When banks own by Nigerians were enmeshed in serious credibility crises and how the Wema bank managed the crisis. In the same vein, is to see the functions, relationships and the roles played by some multi-national companies



such as the United Africa Companies with banks in the colonial era. And to also understand why the enactment of, and how the indigenization policy affected the operation of banks and banking system especially Wema bank.

Lastly, is to examine the reasons or factors accounting for the change in nomenclature from Agbonmagbe to Wema bank in the 1969 reform. In another hand, the relation between the people and the merchant who hands controlled the economic activities and access to fund. Seeing through, its development the various changes introduced in the operations as to how to manage an account and the overall role played in the integration of the nation's economy up to 1972.

#### **1.10 Geographical and Historical Background of Southwestern Nigeria**

The description of Southwestern region here covered the coastal city-states along the Atlantic Ocean from the Lagos area to estuary of Benin (Ethiope) River, and their hinterlands up to the fringes of the rain forest along the lower Niger River Valley. The whole of old Western Region, covering part of the Oil River Protectorate in the Lower Niger Valley area stretching from the present Southwest region to some areas in South-south states.

The people especially the Yoruba and the Beni under former Bendel state, on which this study focuses have been the subject of interest for many scholars. These people, though, with slight variation in language, shared common origin, vegetation and almost the same ecological berth. The explanation becomes necessary in order to aid our understanding of the pattern of work, the mode of production, and the technologies behind the fashioning of tools, implements and other means of production a major factor in the production and the accumulation capital.

This area lies to the immediate west of River Niger and south of the Quorra River, bounded to the west, by Benin Republic and to the south by the Atlantic Ocean. Roughly

speaking, it lies between latitude 6° and 9° north, and longitudes 2° 30' and 6° 30' east. The entire south of the area is a network of lagoon connecting the deltas of the River Niger to the Atlantic. While the extreme north, has vast grassland for cultivation.<sup>27</sup> The vast land and the presence of water bodies played significant role in the development of production and trade from which the idea of savings developed.

## **1.11 Conceptual Discourse**

### **(i) Conceptualizing the Banking System**

A bank is any organization backed by law and principles in the business of accepting deposit and giving out loans, providing leading role in the payment system and serving as intermediate between debtors and creditors, lenders and borrowers. Economists have defined a bank in various senses, some defined it as an economic organization whose principal operations are concerned with the accumulation of temporarily idle money of the general public for the purpose of advancing credit to others for their expenditures.<sup>28</sup>

Others see banking as a set of framework of laws that regulate and control the flow of resource allocation within an economy.<sup>29</sup> In a strictly former sense, a bank borrows or receives deposits from individuals, firms, and government, in addition to, making loans to customers. However, in a more general sense, a bank is an organized institution, pooling together of valuables and scarce resources – worth in physical cash or its money equivalent for safety management.

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<sup>27</sup> S. Johnson, *The History of the Yoruba*, Lagos, 1921, p. xx

<sup>28</sup> E. S., Ekezie, *The Elements of Banking*, Africana First Publisher, Onitsha, 2006, P. 68. See also R., Cameron, *Banking and Economic Development*, (ed.) Oxford University Press, New York, 1972, P.6

<sup>29</sup> D. Odife, *Structure Adjustment and Economic Revolution in Nigeria*, Heinemann Education books, Ibadan, 1989, P.483

The idea of banking in its most simple form maybe said to be as old as human history. The traces of these practices dated to 2000 B.C. in Babylon. In ancient Greece and Rome, the practice of granting credit was said to be widely prevalent even before this time. The trading of credit by compensation and transfer orders were common in Egypt, Phoenicia and Assyria before the system attained full practice in Greece and Rome.<sup>30</sup> Such practices too, were common features in southwestern Nigeria inform of *esusu*, *ajo*, *usuo* long before the contact with Europeans.

Therefore, it may not be totally correct to agree and conclude that banking in Nigeria evolved with the introduction of imperial coin and paper money in Nigeria. However, the idea of setting out a building for monetary transaction in the conventional sense emerged with the imposition of the British pound currency which monetized the Nigerian economy in the late 19<sup>th</sup> century.

A bank is any organization that holds itself out to the public in order to receive deposits, which are payable on demand to others and the depositor. As an establishment where money and other valuables are kept, it also fecund for the mobilization of funds from savers (those who have excess) who are wishing and willing to invest; and channeling these funds to areas of need in a profitable manner. The process of mobilizing these funds by the banks is called Liability Generation while the process of channeling the funds to the area of needs is called Assets Creation or Lending.<sup>31</sup> Therefore, to understand the concept, role, and the need for banking system in southwestern Nigeria, it is pertinent to discuss the nature of the pre-colonial economy of the region before the conquest of the area.

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<sup>30</sup>K.C., Shekhar & L. Shekhar, *Banking : Theory and Practices*, Vikas Publishing House, New Delhi, 2011, P. 2

<sup>31</sup> J. J., Udofa, "The Impact of Pricing on the Patronage of Savings accounts in Nigerian Banks", PhD Dissertation submitted to the St. Clements University in partial fulfillment of the requirements for the award of the degree of doctor of philosophy Of Management in Banking and Finance. P31 [www.stclments.edu/gradudof.pdf](http://www.stclments.edu/gradudof.pdf)

## **(ii) Theoretical Framework/Perspectives**

The usefulness of theoretical perspective or conceptual framework as an analytical tool in historical studies cannot be over emphasized. It helps to give focus aimed at clarity, and specificity of certain concepts and issues in the work. Therefore, in this work, the political economy perspective and the ‘structural functional’ theories which make for a thorough study and understanding of certain phenomenal and institutions like the banking system in development of Nigeria economy were adopted. Among the advantages of political economy are its recognition of time perspective in the analysis of the structure of the society and the inter-looking relationship of the social, geographical, political, and economic institutions as factors of change in every society.<sup>32</sup>

While the theory of structural functional helps to explain the working of an institution – its failure or success in achieving its goals cannot be understood by mere study of the institution, but on the holistic examination of different sectors of the whole system. The advantage of these conceptual frameworks in the study is that it enabled us to know the factors accounting for the transformation and transmutation, the “successes or failures” of the socio-economy institutions like the banks in the country. This would bring out the dynamic roles, impact, success, or failures of the banking system in the country.

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<sup>32</sup> Falola, T., op’cit, 1986, 1.

## CHAPTER TWO

### THE NATURE OF PRE-COLONIAL ECONOMY OF THE SOUTHWESTERN NIGERIAN AREA UPTO THE 20<sup>TH</sup> CENTURY

#### 2.2 Introduction

Every human organization has a definite means of meeting and satisfying their basic necessities – feeding, clothing, and shelter. The people of Southwestern Nigeria, especially the Yoruba of Oyo Empire before the 20<sup>th</sup> century, had evolved in the absence of free nature food, means of extracting surplus production over consumption. Even at the stage of hunting and gathering, the societies have devised means (an economic system) of satisfying its wants long before the contact, and Europeans domination of the area in the 20<sup>th</sup> century. And at the centre of the economic system, were production, manufacturing, trade,<sup>33</sup> saving institutions and their effective management.

The need to overcome scarcity and sustained consumption, led to the idea of production, trade, and human settlement.<sup>34</sup> The practice of production simply means the effective management of the recreation of values to satisfy human wants.<sup>35</sup> This is because the societies were not just concerned with production, but how and what to produce. It is therefore, necessary to look at the nature of the economy of the area before British colonization.

#### 2.2 The Nature of the Economy of Southwestern Nigeria up to 18<sup>th</sup> Century

The word “economy” has several usages. In all, it means the act of effective management of production, distribution, consumption, and savings in relations to the proper direction and

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<sup>33</sup> A. L., Gitlow, *Labour and Manpower Economics*, Richard D. Irwin, Homewood, 1971, P.6

<sup>34</sup> J.F.A Ajayi & E.J. Alagoa, “Nigeria Before 1800: Aspects of Economic Developments and Inter-Group Relations”, in O. Ikime, *Ground Work of Nigerian History* (ed.), Heinemann Educational Books, Ibadan, 1980, P.226

<sup>35</sup> P., Sraffa, *Production of Commodities by Means of Commodities*, Cambridge University Press, London 1976, P.

administration, arrangement and organization of societal resources for public uses. This concept though, in its present day usage, has assumed an appellative of “capital” and “market.” In the real sense, it has to do with the management of decision-making processes to ensure the best utility of the available resources in a particular geographical area.<sup>36</sup>

The nature of this (Southwestern Nigeria) economy covers: agriculture, trade, manufacturing of tools and cloth. Other occupational activities such as fishery, craft, pottery, smithery, and also, the mining of salt and natron were practiced. With an elaborate canoe transport system across the rivers, lagoons in addition to the footpath developed an exchange system, and a means of exchange in the area. The economy also included the various institutions that aided and enhanced the calculus maximization of these enterprises. If all these were the case in the pre-colonial time, it is therefore wrong to threat the societies and its economies as *tabula rasa* and unproductive.<sup>37</sup>

The economy though, a congeries of several human activities, was indeed, an elaborate system for satisfying wants. The natural obligations for shelter, food, cloth, and security ultimately created the impetus for the people to query and act on their surrounding environments. First, it was the drive to satisfy basic necessity that drew all (both men and women) to the practice and development of agriculture (production) as a major occupation. Second, was the development of flourishing commerce (trade) in which both men and women participated either as short and long distant traders.

Of course, these were openings through which the ideas of money, its uses, and the accumulation of monetary wealth as: farmers, dyers, weavers, palm oil and slave merchants

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<sup>36</sup> E. P. DeGarmo, *Engineering Economics*, The Macmillan Company, New York, 1967,P.6

<sup>37</sup> E. S. Odhiambo, “Re-introducing the People Without History: African Historiographies,” p.6 in [www.jstor.com](http://www.jstor.com)

especially among the Ijebu, *Egba*, and *Egbado* of the coastal communities, and Benin around the 18<sup>th</sup> and 15<sup>th</sup> centuries became possible.<sup>38</sup>

The adoption and the use of certain imperial currency boosted the economic importance of Coastal States, such as the *Popo*, *Egba*, *Egbado*, and Ijebu who became middle-people controlling the trade between the Europeans and the hinterland at the Atlantic in the 19<sup>th</sup> century. In other words, money promoted the advances of these Coastal States and gave them greater capacity for competition with their counterparts in the hinterland. Major evidence in this regard was the Popo king, *Elewi-odo*, who visited Oyo in the days of *Basorun* Gaha. *Elewi-odo* a friend of the *Alaafin Agboluaje*,<sup>39</sup> reputed to be very rich because he was nearer the coast and was trading with the Europeans. On the other hand it could be argued that from this, a new propertied class, the *nouveau riches*, accustomed to the accumulation and the display of wealth emerged among the people of southwestern Nigerian.

As will be shown below, opportunities existed in certain situations in pre-colonial southwestern area for every individual (except the slaves) through hard work to have upward mobility in status and the accumulation of wealth. This could be achieved through excellence in farming, trading, manufacturing or the combination of other industries. The people of southwestern Nigeria put everything about riches not only to hard work, but also luck or destiny.<sup>40</sup> This explains shrewdness in business and other profession. It is not possible to date the origin of the culture of *nouveau riches* in Southwestern Nigeria, what one can perhaps say is

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<sup>38</sup> Mr. Smith Adebayo, Retired Banker Oral Interview Lagos, on 23 November 2013, Age 65+

<sup>39</sup> S. Johnson, *A History of Yoruba*, Lagos, 1921, P. 179, See also, A.G. Adebayo

<sup>40</sup> According Mr. Idowun Ogedegbe, This idea, consoles those who never made it rich, despite their striving; and to some senses, caution the rich from regarding the poor as lazy. The intention was not to make everyone complacent or boastful.

that the development was a gradual process which occurred at different times in the various kingdoms and city – states in the region.

The most common approach to the issue, at least in the 19<sup>th</sup> century with plausible evidence, was their incorporation into the political elite by the investiture with honorary, sometimes traditional, but often nonhereditary chieftaincy titles. The most common of these nonhereditary, civilian titles conferred on the “*nouveau riches*” was usually in attestation of military and trading prowess, as head or assistant head of a detachment of the kingdom's army, or of a guild of traders. The latter would account for the proliferation of the title of *parakoyi* (male head of traders) or *iyaloja*<sup>41</sup> (female head of traders) in many parts of Yorubaland.

It is in the area of societal expectations that the differences between the old and new men and women of wealth become apparent. Money was important, but in the strict ordered of the societies it was never a substitute for being born into, or descent from a titled class. Members of the new aristocracy or “*nouveau riche*” incorporated into the political system, could be dining and wining with the kings and princes, but they had (and knew) their limits.

On the other hand, the want of money made life difficult for members of the lower classes. According A. G. Adebayo the poor, *otosi* or *talaka* were, to say the least, dependent on the rich either as slaves or as clients. The increasingly monetized and complex societies, led to increase exploitation of the slaves and those at the lower classes in some areas of southwestern Nigeria. Many of the vulnerable poor, especially weak, were sold into the Atlantic slave trade at different times, by members of the upper classes which dominated this trade. The ones who

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<sup>41</sup> Ibid. Note according to Ogedegbe, the root words here: *Iya* (mother) *I' oja* (of *Oja*) market, that is the mother of market. This is not different from A. G Adebayo's explanation of *Aje* as the Yoruba goddess of commerce, and apparently a woman who has made it rich is said to have related to *Aje* in a very cordial manner.



suffered most from incessant raids for captives were the members of the lower classes who resided in the villages or in the least defended parts of the cities.<sup>42</sup>

Beyond the above limitation, all members of the upper classes were obliged to perform certain duties for the benefit of their societies. They were expected to provide good leadership at peace or war time, and upon them rested the patronage of the arts. They engaged the services of praise singers, poets, and drummers; carvers and sculptors; tailors and embroiderers; builders and palm wine tappers. In all these, organization and management of the economy of the southwestern Nigeria considered to be of great importance to the nature and pattern of the economy system.

Several features of Yoruba socio-political and economic systems supported the emergence and development of financial institutions. A centralized political and administrative system in kingdom had positively affected the conduct of economic programmes. As a stratified society, which celebrated and rewarded success and hard work, particularly successes in farming, trade and industry; it encouraged an urbanized social life which encouraged industrial production and enhanced division of labour.

With a deep religious life, characterized by the worshipping of the Supreme God through a pantheon of highly feared and respected gods and goddesses; was a well ordered society with laws believed to be binding on every member irrespective of his/her position. Punishment and rewards believed to be handed down directly by the gods for every default or faithful acts played a crucial role in the development of financial institutions.

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<sup>42</sup> A.G. Adebayo, "Money, Credit, and Banking in Pre-colonial Africa: The Yoruba Experience," p.389 downloaded from 41.203.92.114 on Wed, 25 Sep 2013 07:54:45 AM www.JSTOR.org.com

Although, the concepts of interest, price, and cost<sup>43</sup> might not be prominent in the pre-colonial economy, (as most of the long distant trade involving large volume of goods was in barter). This does not mean that the economy was lacking the trapping of organization and efficiency. For the shortage or complete lack of concentrated capital does not determine the state of the economy. Thus, most of the economies of the pre-colonial states in West Africa, termed as 'primitive' self-sustaining and subsistence economies because they lack certain concepts of cost, price, and single money and were not market oriented, were seen from a narrow prisms of prejudiced theories.

These were done at the expense of scarcity and choices that drove economy of the people in the southwestern area before the 20<sup>th</sup> century. Hence, it became pertinent to ask, what was the mode of production in the pre-colonial era, how did the people satisfy their wants? In what ways did they exchanged their goods. Was there any medium of exchange, if there was, what was it like? And what were the measures taken to avert the shortages in the supply of their basic want of life? Answers or clues to these questions shall be attempted in the following headings.

### **2.3 The Pattern of Political and Economic Organization in the Southwestern Nigerian Area**

Politics and economy have long exacted strong influences on one and other, in the affairs of the people of southwestern Nigeria, and on the history of humankind generally. The difficulty of separating the discussion of one from other, leads us to the examination of the need for law and order in the societies of Southwestern Nigeria. As human population a variable and indispensable factor of production, continues to expand against nature (land) a fixed factor another important means of production, there arose the need for certain measures aimed at correcting de-equilibrium.

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<sup>43</sup> K. E. Boulding, *A Reconstruction of Economics*, John Wiley & Son, New York, 1962, P.3

The economic need for this, led to several innovations in the uses of land and the development of certain kingship and traditional institutions. These helped to regulate the political and cultural affairs of the people of Southwestern Nigerian area to meet their economic demand. To understand the nature of political and economic organization of the area, one has to first find out the principles – social, cultural, religious, and moral value that governed the relationship of the people.

Connected to these principles, is to understand how the issues of scarcity, choice and wants were overcome among the people before the coming of European colonialists. Explanations to this can only be found in the study of political economy of the people embedded in the culture and the nature of relationship of the people.<sup>44</sup> In essence, formal conventional theory of economics argues that rational choice of an individual or group is built around the principle of calculus maximization. This principle assumes that people make choices among alternatives in a rational fashion according to the determinable principles of their culture. From this premise, is built a highly elaborate set of prepositions which defines or determines how an economy is organized.<sup>45</sup>

Organization, the socioeconomic mechanism directed towards works, production, distribution and the manner of consumption in the society, has its root in the political economy. It also set the rules, characters, attitudes, values, and direction of the technological, social, religious and cultural advancement of a society. In all intent and purposes, the choice, behaviour, values of any person or persons, are conditioned by many factors such as the choices and behaviours of other people in relation to the environment. Choices and scarcities, influence

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<sup>44</sup> E. L. Edward & H. K. Schneider, *Economic Anthropology Readings in Theory and Analysis*, Holt, Rinehart and Winston, New-York, 1968, P.4

<sup>45</sup> Ibid., P.6

human behaviour and take their voices in the economic and political activities of the people in any geographical setting.

The drive to satisfy wants and maintained order in southwestern Nigerian area has manifestations in the political and economic organization of the people. And has thus, produced three distinct stages in the history of the area. The first stage was the transition from wandering to sedentary settlement with the administration of law and order at the family or clan level. The development of social stratification, and the last stage been reached in the form of division of labour. Of which, internal dynamics and basic instincts, accounted for progress and the idea of organizing and developing new economic institutions. For savings and fashioning of tools were among institutions adaptable to the environment for resource management. This process of continuous improvement on the institutions, is a process of transition from one phase to another, is a common phase in the history of every human society.<sup>46</sup>

At this stage in the history of the Southwestern Nigerian area, there was no sense of laying claim to ownership; the population was relatively small in relation to the basic means of dependence and safety. Subsequent changes due to new innovation in production such as the development of tools, paved way for more population, the larger the population was, the better the chance for social transition.

This transition accounted for the formation of empire and kingdom of Oyo and Benin, and the organization of some city-states in the area. Population here did not just lead to the effective labour power, it also created rooms for sharing ideas concerning a particular problem especially integrated ideas on how to tame or harness the environment for human benefit.

Due to the influence of the prevailing conditions, societies in the southwestern Nigerian area, at this period, evolved an art of domesticating the wild plants and animals they had

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<sup>46</sup> R. Walter, *How Europe Underdeveloped Africa*, Panaf Publisher, Abuja, 2005, P.48

depended on for survival. At this stage, it is not clear whether the concept of money, price, or cost was known to the people, but the changes led to the development of agriculture and manufacture.

Social stratification would seem to have started very early in southwestern region, especially among the societies of with centralized political authority such as Benin and Oyo. In the centralized kingdom and empire, classes were based on access to and possession of political power which invariably means economic wealth. There were distinctions based on economic pursuits as well. Although there were some variations from state to state, the general structure was similar. Class was better developed among the Yoruba of Oyo, who built the Old Oyo empire, and Ife, the famed cradle of mankind and more visible among the Bini of Benin kingdom.

In short, the need for law and order, led to a socio-political organization with the earliest recognized authority formed on families and clans heads.<sup>47</sup> There was collective responsibility in response to wants and works, the people had common problems and solutions were sought together to overcome the problems collectively. It was in this process that the act of risk management first, at the economy level, and then at the social aspect evolved. For instance, the management of wants in relation to crop failures, damage to houses either due to fire or wind, and the management of the dead on collective basics was advance.

It is not out of place, to trace the origin of saving culture (a process of capital formation) from the act of risk management observed in the first stage of the history of the area. Risk management which means the pooling together of resources to overcome difficulties can be argued to be another form of saving. Another reason to believe that the act of saving could have

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<sup>47</sup> R. W. Shenton, "Studies in the Development of Capitalism in the Northern Nigeria" PhD Thesis Submitted in the University of Toronto, 1981, P10

emerged from the religious rites and rituals that emerged at this period is the ritual that was developed around the management of the dead.

The management of the dead means that people contributed different articles such as cloth, food and other items that would be used for the burial of the dead. These explain why people are keen to keep their prized or best items for the inevitable day. Among the Akoko people in the confluence of Yoruba and Edo cultural influence in the old western region, the sense for inevitable, led to the culture of savings.<sup>48</sup>

The second stage was entered with more developed and advanced management and organization in production. As population increased and became more complex, human demands became more complex in relation to the available resources. The gradual change in the society, led to a change in the political, social, technological and economic structure and organization of the society. The organization was such that different tasks or works became socialized and classified. What followed this was the gradual stratification of population and roles on the basis of duties played in production. Social stratification led to the division of labour in the society. It was at this level, families and religious heads acquired different roles that were somehow submerged under the new leader who in turn, became the head of the society.<sup>49</sup>

The division of labour conversely gave way to the stratification of works on the basics of age and sexes. Women and children became identified with works mostly on the home and other light works requiring little energies in the farm. While there was no fixed or hard line drawn between the male and female in farming activities in most societies in the Nigerian area, there were occupation that were exclusively for the men and women folks. Categories of works like

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<sup>48</sup> Mr. Foriti Abukare, A Farmer/Chief , 65, interviewed at Ibillo, 25<sup>th</sup> Of July 2013

<sup>49</sup> Ibid., P.43

hunting, fishery, smiting, and other occupation like the harvest of palm tree fruits: oil and wine were in most societies in the Southwestern Nigerian area exclusively men reserves.

Just as the women too, assumed responsibilities of dietary and feeding a very important and salient work for the survival of every human species. They ensured a balance in the dietary a way of fighting diseases and a need for healthy growth. Also, the women became identified with some works that require technical and special skill specially methodology. Works such as the extraction of oil from palm nut and kernel became exclusively women jobs, weaving, pottery manufacture, animal keeping, and others in the mining industry such as the mining of salt.<sup>50</sup> In all it appeared that while the men work harder, the women worked longer time.

As it would be expected, the socialization of labour, the development of different skills and works among the people in different aspects of production, had led to specialized occupations: artisans, weavers, sculptors, blacksmith, pottery, and designer. The process led to the development of special institutions of age-grade, religious priest, rain-makers, and political institutions of “Oba,” “*Alaafin*” “*Deji*” developed as custodians of the law.

The transition was also characterized by a variety of social formations: there were fishing societies, canoe maker, cultivators and raiders especially at the coastal communities with introduction of the culture of owning slaves as captives of wars became apparent in these societies. In theory, vertical mobility was allowed among members of the lower classes; somehow even slaves, after manumission, could rise to important positions; but this was not

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<sup>50</sup> The industry is not exclusively women reserve, but they dominate most of the aspects in the entire process of oil extraction. Demand for special skills and detailed attention in these jobs; make the womenfolk to work longer hours while the men do the harder part requiring more energy. In the whole of Southern Nigerian area, the oil especially palm trade, forms a major aspect of the people’s economy and to a large, the history of the people. Oil, in the latter relationship between European traders and the Southern Nigeria was one of the factors that favoured the colonization of the entire Nigerian area. Up to the present, the relations till centre on oil but in recent times, on crude oil from this trade that the accumulation of capital became open for the people. Yet, only few, if there is any, women accumulated capital and became wealthy in this industry.

expected among members of the first two classes. In practice, however, economic requirements for mobility were quite great, and often beyond the reach of the freeborn as well as slaves.

The war captives and slaves were all being progressively drawn into a relationship with land with each other, and with the state, through the expansion of productive force and the network of distribution.<sup>51</sup> There was the probability of state formation emerging from the waves of migrations, conquest, and subjugation of different political entities to form a centralized Kingdoms or Empires in some part but not all of the societies.

The economy of these societies at this time, were largely diversified. Majority of the people depended on the exploitation of land as farmers; there were also large numbers of people depending on the exploitation of sea and forest resources as fishermen, transporters, hunters, crafts-guilds, sculptors, herbalist, weavers of cloth use for special religious rites and rituals. There were, the development of the skills of basket weaving and mats that are used for roofing and for sleeping. Calabash designer, musician, entertainers of different kinds also developed.

The third stage in the history of the area is the period of contact with European around the 15<sup>th</sup> century up to conquest and subsequently subjugation of the area. In the discussion of the political and economic activities in southwestern Nigerian area at this period, emphasis had often than not, been placed on trade especially on external trade. Occasionally mentioned in the discussion, is the role of the African merchants serving as middle people who either hinders or obstructed Europeans activities in their area.<sup>52</sup>

It is true that many communities developed intricate systems of local market and participated in long distant trade, as in the case of Oyo, Benin and the city states at Niger-delta

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<sup>51</sup> Ibid., P.47

<sup>52</sup> O. Ikime, *The Merchant Prince of the Niger-delta*, New -York, Africana Publishing Corporation, 1969, P.39. see also, W.I. Ofonagoro, *Trade and Imperialism in Southern Nigeria 1881-1929*, Nok Publisher, International, Lagos, 1979 P.230.-, also, J. C. Anene, *Southern Nigerian in Transition 1885-1906*, C.U.P., Cambridge, Pp.1-25



and the lagoons – like the *Egba* and *Egbado*. However limited the centralized power in the area, trade both short and long distance, was of a significant economic life to the people. Some religious powers, in addition to the clan political authority were required to give traders the confidence to venture far afield as the centralized states provided its citizens with the confidence of a protective power.

#### **2.4 The Pattern of Production System in Southwestern Region up to 19<sup>th</sup> Century**

At the heart of every society, is an organizational system – a mechanism through which goods and services are made available through human interaction with nature to meet human demands. The changing and un-limiting nature of human wants, and the limiting rate of nature and other means of satisfying them, made the idea of production, the epicenter of southwestern economy. It is, therefore, only important to understand or to ask, what constitute production, before the examination of the pattern or mode of production in the western Nigerian area.

The creation of goods and services to meet the need of the people and for survival in the region was not accidental. Human work, the decimation of physical energy is always needed at some points in satisfaction of wants. Even, at the stage of hunting and gathering, one of the basic patterns of production in the region, required some skills demonstrated in the form of thinking and works in gathering and domestication of plants and animals, which demands serious human energy. Hence, the origin of production can only be traced back to epoch of wandering for hunting and gathering of wild gifts of nature.

This is because the practice of continuous movement and collection of wild foods and hunting of games could not have been possible without the development and the use of certain implement and tools such as clubs from animal bone and stick, stone axe, mortar and pestle, bows and arrows which formed the means of labour. Since human did not just collect and

gathered, but made and used tools in the process, gave rise to the idea of production. A process of bringing into existence of new items (commodities)<sup>53</sup> needed for the satisfaction of wants. The aim to recreate and improve the tools was developed out of the observation and association of human with nature. This association consciously regulated with a variety of trials and errors to the development of more suitable tools is also an act of production.

The development of tools and implements constitute the material basis of human survival.<sup>54</sup> As far back 1000 A.D. a probable stage for the formation and development of state processes in the region up to the 15<sup>th</sup> century contact with Europeans, the people had developed and used tools that enhanced state formation. The societies at everywhere in Southwestern especially at the Oyo and Benin area have acquired a considerable understanding of the total ecology of the environments plus the nature of the soil, climate, animals, plants and their interrelationships of the node interdependence. The need for all these lie in the development of a more knowledge to trap animals, to build houses, to make utensils, to find medicines and above all, devising a mode of production and effective management of the resource in the area for states formation<sup>55</sup>.

Most of the tools and implements used by the earlier inhabitants and people of the area, did not originate, but were mere functions or invention of the human organism. The organic function no matter their uses and it varied nature, were essentially the expenditure of human brain, nerves and muscle which form part of human ingenuity in production. Production is determined by various circumstances that include: the average level of skills available to the working population, the level of technology, and its degree of applicability, the social

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<sup>53</sup> M. Adamu, "Some Essential Features of the Economy of Hausa-land, C.1500-1804", Department History seminal Paper, 1998, P.204

<sup>54</sup> K Marx, *The Capital, A Critique of Political Economy* Vol.1, Progress Publisher, Moscow, 1977, P.86

<sup>55</sup> W. Rodney, P.45

organizational pattern in the society and the extent, and capacities of the means of production.

This can only be illustrated in the following question. What is the variety of labour necessary in order to produce the tools a means of production to the worker? For the production of any object of utility, a number of factors would be called into action in relation to labour. The labour aspect is the human ingenuity and energy demonstrated in the identification, shaping and forming an object into a useful tool and a product that would be needed or used for further production of other goods and services.

It is the combination of these factors that explained production, a process in which people are engaged in necessary labour and producing necessary products. The more complex the processes in extra labour the more the surplus products. The processes go side by side with the production of other crops. The division of labour implies the concentration of persons in the jobs they can do well and by extension, implies more efficiency and more wealth for the society at large. For instance, in the production of “bow and arrow” an object and tool needed for hunting require a number of processes and skills of the blacksmith, weaver, and a carver.

This is how the individual owe their existence to special productive activities. An activity exercised with a definite aim, an activity that appropriate particular nature-given material – developed skill to meet human wants. Again, to produce a canoe an object and a means of production in the coastal region, requires among the following: a tree from which a log is gotten, a chisel for boring, axe for cutting, with all the knowledge and arts required for the preparation of that beautiful and happy invention, is a form of production which would required the services or labour of different people, at different stages of the process.<sup>56</sup>

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<sup>56</sup> A canoe which without, the people of the coastal region could not have afforded a comfortable habitation, serves as both a means of production for fishing, a major occupation of the Coastal communities. And as a suitable object of production that facilitates transportation in the region.

The pattern of production alternatively known as the mode of production is such in a way that the productive forces and means of production are organized and managed in any society. The mode of production tends to develop all the time reflecting the improvement or growth in the societies. The organization and growth of the societies in southwestern Nigeria, means difference in the types of works performed by the slave and the freeborn, the priest, musician, fishermen from those with political authority in the society.

When one talks of the development of the productive forces, we are necessarily talking about the qualitative and quantitative improvements in labour power, for instance, when people acquire more knowledge and technical skills in the development or production of goods and services, we say that there is advancement or improvement in the level of technology available to the people. They become specialized in the field; this is how some families became lender of special services such as *esusu* collectors.

The growth in the knowledge of the society is often determined by the customs, tradition, norms, and social value that influence the general attitude to work. The general attitude could in turn, hinder or facilitate human inquisition to nature from which solutions to problems are sought. Out of the inquisition, the knowledge of how to fashion and used tools were first developed. And there is no doubt that the states of the tools available in relation to the social relations in any society determine the pattern or mode of production.

This is the case when we examine the hunting and gathering, communal society against the feudalist. While in the former, the state of tools and objects of production were the crudest form, with little or complete lack of ownership of the means of production. The pattern or mode of production was simple and more to group in the non centralized city states of the Akoko, *Egba*, and others than the feudal state with signs of masters and servants relationship more

visible in the ownership of means of production in places like old Oyo Empire and Benin kingdom. Thus, one can argue with some level of calmness that communalist mode of production, with pocket elements of feudalism (two mode of production) co-existed in the southwestern Nigerian area up to the 19<sup>th</sup> century.

In the production pattern of the entire Nigerian area, people did not just act on nature but also on one another. They produce all their necessary or basic wants by co-operation in certain ways and mutually exchanging their activities. In order to produce, they entered into some forms of connections and relations with one and another. And it was in the shared connections and relations that action on nature, gave rise to production. The general mode or pattern of production in the southwestern Nigerian area was such that every individual household, groups produced their staple food in surplus. Every societies and individuals exploited land basically as farmers, supplemented by other activities in the practice of craft, hunting, tapping of palm wine, in addition, exploited sea resources as fishermen, hunters, and miners.<sup>57</sup>

This therefore means that question of unemployment was alien in the pre-colonial economy of the area, as everybody was gain-fully employed either as farmers, fishermen, hunter, tapper, iron or brass smith, or a trader when the need arose. The nature of production though, sometimes at the individual levels, especially in relations to craft industry and in manufactures but the most common form of labour was geared towards family and clan production.

## **2.5 The Nature of Economic Exchange in the Area up to the 19<sup>th</sup> Century**

The impetus to exchange or trade might not have risen from the abundance of production since, virtually every household produced surplus of staple food. Rather, its origin could be sought in the shortage of first, some other commodities especially those needed for their aesthetic value for religious purposes which might not be available in a particular area. And

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<sup>57</sup> See S. Johnson, *The History of the Yoruba*, Lagos, 1954, P,123

nature by its vagaries influenced the type of goods and services available in any part of southwestern Nigeria. Though, there may be some uniformity in the ecology, but the soil and climate favoured the growth and production of different types of produce.

The asymmetric distribution of climatic condition, soil types, and resources availability means that the types and nature of production in addition to the commodities produced in the area would necessarily be different. While the areas around the forest belt and its fringes support the production of root and tree crops: yam and wild palm- tree in their avalanche. The areas around the coastal region of the Lagos, *Egba*, and Burutu supported the growing of vegetables and the exploitation of the sea resources. This type of production organization (labour and tools for work) is first and foremost, shaped by the basic need of the people and then the environment.

Environmental differences and its endowment do not just influence the types of production practices but also, the type and level of technology available in any region in the world. The difference is reflected in the type of tools and implements developed and used by people in relation to (harness) their peculiar natural environment. For instance, the science of canoe making, salt mining, and other industries common among the people in the coastal area, has direct consequence to the influence of the environment. This in turn, bears on the nature of production, products and exchange practices of the people. Hence, defining the nature of relationship entered with their neighbours inform of trade.

Therefore, productivity depends not on the type and efficiency of exchange mechanism, but on the available state of technology of tools developed and used by the people. Yet, certain commodities or items like pottery, matting and wooden utensils in addition to commodities like salt, copper, brass, bracelet, mortal and pestles, beads that have formed part of the culture of the

people which their environment did or could not favour their production were obtained through exchange.

Even, there existed a situation whereby the society attains a degree of division of labour, giving way to the development of specialization. A situation that certain people becoming exclusively tied to the exploitation of the resource of the forest as hunters, some on palm tree as palm wine tapper, oil and kernel producers. While some expended their labour on the sea resources as fish business, few spend time on smiting- iron, copper, and bronze with some on wood work as – carver, and sculptors designing the cultural materials (drums, percussion the talking drum and ‘agidibo’), used for certain festivals and spiritual rites.<sup>58</sup>

Secondly, the division of labour and development of specialization meant that a time would be reached in the transition of the people’s history when those that acquired special skills in the craft industries, acquired special positions such as chief priest, and political leadership were gradually disentangled from certain works to the concentration on new roles. For instance brass caste system in Benin kingdom, the guards to powerful rulers, blacksmiths, and others with a special skill for administering medicine as herbalist has to depend or exchange with others their knowledge and services for the their basic necessity for survival.

Majority of the people who depended on the exploitation of land as farmers also needed the skills of blacksmith, ceramist and others for items like: baskets, pots, hoe blades, axe-head. To produce the wooden handles of hoe, cutlass, knives, and axe needed for the further production, the services of the carver and carpenter would be needed.<sup>59</sup> In the same token, the palm-wine tapper who may not have the skill for producing the basic items needed for the

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<sup>58</sup> Mrs. Florence Akinpelu, explained the reason while some communities in Aiyetoro area where predominately depended on the river resources as famers, thus needed to exchange with people at the hinterland their fish for other staple food.

<sup>59</sup> D. Forde, (ed.) *The Native Economies of Nigeria*, Faber & Faber, London, 1945 P.43

business: climbing ropes, calabash for collecting the wine, and knives would have to exchange something at some point for the means of production. It was out of the difference in the state of technology, climatic condition, specialization, and social stratification that the exchange system especially of barter would be understood.

The ubiquitous nature of pot shell and pottery materials in every part of southwestern Nigerian area does not mean that the technology, skills, and tools for its production were readily available or found in every part. Either does it mean that pottery was a common industry to every society of southwestern Nigerian area.<sup>60</sup> This means that for people to get clay-pot a basic household utensil needed for cooking, exchange of barter or trade might have taken place since not every society has the technology and skill even in places with the clay soil a basic material for pottery production.

The nature of exchange was that commodity or produce readily exchanged for another commodity which value would help in the satisfaction of wants. While services needed in form of work for further production of necessary commodities could be obtained freely either from the clan or the families: patrilineal or matrilineal side as gifts or an exchange for either labour or other commodity needed by the other people.

## **2.6 Medium of Exchange up to the Time of Conquest of the Southwestern Nigerian Area**

Exchange, and exchange economy forms a distinct theme in the history of societies in southwestern Nigeria. It is not just the means of satisfying human wants but also a major factor in understanding inter-groups relations in the area before the 15<sup>th</sup> century. This, (need for exchange) was reached due to the unlimited nature of human wants and the limited means:

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<sup>60</sup> see D. Leoni & J. Prichett, "Traditional Hausa Pottery in Zaria City" in Savanna, *Journal of the Environmental and Social Sciences*, Ahmadu Bello University, Vol. 7 No.1, June 1978, P.4 For the Techniques for Making Pottery and op,cit , D. Forde, P.43



available technology, difference in natural resources, skills and the application of knowledge in production, formed a unit each in social stratification.

With the growth of difference in production led to the idea of first exchange and latter trade. The transition from one category to another is not simply just arrived at, but a reflection of the historical process of development. This indeed, show how in the course of historical development, certain items emerged on the basis of production with a double value, and how simple cooperation in production was replaced by that commodity with essential societal value that served as a means of exchange.<sup>61</sup>

Marx and Engels argue that the historical appearance of commodity with double value in production with the rise and development of exchange was reached when certain commodities assumed a universal equivalent.<sup>62</sup> And the historical transition from value maximization to prices of produce in production.<sup>63</sup> The essential value of the argument would be clear when the characteristic nature of simple commodity production and the process of transition from that type of production for the satisfaction of necessary want led to the exchange of certain commodity for the benefit of its aesthetic satisfaction.

Exchange which would mean a general process in human relation whereby, all commodities considered as the same use-value to one another in the social circuit of direct replacement of products for products. While trade on other hand, means social act whereby a particular product, serves as intermediary or universal equivalent in commodity circulation. It is from the character of the commodity in the process of production as the materialization of others, which gave rise to the evolution of money.

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<sup>61</sup> F. Engels, *On Marx's Capital*, Progress Publishers, Moscow, 1982, P.10

<sup>62</sup> Ibid, P.55, see K. Marx, *The Capital, A Critique of Political Economy*, Progress Publisher, Moscow, 1977. P.48

<sup>63</sup> F. Engel P. 11

Several objects have served as money overtime in the economy of the societies in the southwestern Nigerian area, and in Nigeria in general. From precious stones, metals – such, silver, iron-rod, copper, to animal parts such manila, cowries and many others have at some points, served, and featured as money.

Different societies, have vaulted different commodities as the go-between and the intermediary of other commodities. And people – whether as rulers and subjects, slaves or freeborn have delighted in their possession. Immediately the point was reached in human social relations when simple cooperation in production was replaced by a commodity with double value, the desire for money especially among the people with centralized political authority became irresistible. Werner argued that

“for centuries the desire for money had no direct connection with the prevailing economic organization of societies, which continued to be based on the principle of production for subsistence rather than profit. Persons who desired to accumulate wealth did so outside of the productive and commercial activities of their time and used the money acquired for other things than economic purposes.”<sup>64</sup>

While Marx writing in 1844 shows that following the transition from simple to more advanced form of production, money became more than a means of satisfying wants. Instead, it became the talisman that has the property of transforming the capacities of the person who possessed it as well as their relations with others. Such was the case in Southwestern Nigerian, indeed, the areas around the old Oyo Empire and Benin Kingdom at about 1500 A.D when evidence of money related transaction began to emerge, certain commodities-such as copper, cowries, slaves, and brass had variously passed as money.<sup>65</sup>

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<sup>64</sup> C. A. Gordon, *The Germans*, Penguin Books, England, 1982, P.105

<sup>65</sup> P. Bohanna, “Impact of Money on An African Subsistence Economy” *Journal of Economic History*, Vol. xix, No, 4, December 1959P.493

The emergence and development of money as the medium of exchange has indeed, eliminating the inefficiencies of barter. Money was just a unit of account; it facilitated valuation and calculation leading to the development of numismatics among the Yoruba, it was a store of value which allowed economic transactions to be conducted over vast geographical distances, as in the long distance trade. To perform all these functions optimally, money has to be valuable, affordable, durable, fungible, portable, and reliable. Because most articles fulfilled most of these criteria, copper, cowries and bronze were for years, regarded as ideal money in the region. Of much importance, was cowries which had developed a cult importance among the people before the 1800s.

## **2.7 Indigenous Saving Institution in Southwestern Nigerian Area up to 1892**

The evolution of the culture of association among the southwestern Nigerian people, had subsequently led to the issue of lending and borrowing in solidarity towards management. The consummation of marriages and other natural disaster such as death, crops failure, plague of famine, drought, flood, and the fear of these, had given rise to the need for pooling together of efforts and resources.<sup>66</sup> And this had been common practice among the people, of the various societies of the area. An uncommon achievement in collective response, in form of resource-pooling for uncertainty, has of course, received some attention but its impact is often not properly integrated in the financial economic studies and history of our area.

Saving institutions, which has become one of the backbones of any economy, evolved or emerged as a form of groups association to encourage thrift through the deposit of individual or family earnings that had accrued from their work, like the saying goes, “saving for the raining day.”

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<sup>66</sup> The pooling together of resources was not necessarily a saving institution, but a form of solidarity and corporation in the management of risk. It was, probably from the development that the idea saving institutions among the common, *esusu*, *ajo* and *iwofa* was developed.

It suffices, to say here therefore, that indigenous saving institutions such as the *Ajo*, *Esusu*, *Osuo*, are forms of insurance that grew out of the culture and tradition of the various societies and people living in the southwestern Nigerian area as a means of social relations and cooperation.

It is not known which was the first-form of saving institution in the Southwestern Nigerian area, but certainly there was the pooling together of services and resources to guarantee a clan member a decent burial, marriage, or cooperation in farming or building a new house. Yet, savings in advance, for future remains the fundamentals principle of the indigenous insurance, whether it is against death, old age, sickness, or accident.

Different reason(s) could be advanced for the evolution of this type of socio-economic system among the different societies and people in the region. But in nearly all cases, the basic impulse to save can be located in the need to overcome future challenges, uncertainty and raising capital for business is normally met by a pooling-system. If the accounts of different forms of cooperation, a common practice among the societies of the southwestern Nigerian area before the 15<sup>th</sup> century seems doubtful, its certainty after the 15<sup>th</sup> century was no doubt.

It is interesting to note that indigenous saving institutions- *Esusu*, *Isusu*, *Usuo`*, *Susu*, *Bam*, *Atigal* as variously called, its evolution and management is framed on the principles of mutuality. Among the Akoko people in the confluence of Yoruba and Edo cultural influence, the savings system *Osuo* was initially, not limited to money only. The advantage of the saving institutions over the imperial type is method of pooling or mobilizing resources for members in all the strata of the society. The membership of the socio-economic institution is by subscription and allowed every member to save according to their ability or financial power.

There were other forms of insurance practiced in the area whereby, materials-valuable: beads, cowries, and other materials used in the cultural festival and marriage could be advanced by the creditor who does not have immediate need of the items, to the debtor who is expected to make future payment in the same quantity in the future. Of recent time, it could be in the form of advancement of tools an object of labour such as hoe blade, cutlass and axe head usually from the blacksmith to the farmer.<sup>67</sup> But with more much development in the twentieth century when money had become a feature of the peoples live, pool of financial deposit could be or attained by a member of a saving institution either on weekly, monthly or yearly basis depending on the number and principle behind the organization.<sup>68</sup>

This shows that the practice of lending and borrowing has a long history among the societies of southwestern Nigerian area. It demonstrates how the issue of nature volatility: uncertainties- famine, drought, war raid, and the unpredictability of human behaviour in relation to wants, satisfaction, scarcity, and debts had been part of human relations overtime. And the need to overcome these uncertainties, led to the emergence and development of indigenous institutions to manage the level of risk, gave rise to the idea of saving.

Due to the seriousness or importance attached to the organization of the saving institution led to the numismatics of the Yoruba counting and writing system. For recording the transaction of the debts and credits contributed and how it has been distributed.<sup>69</sup> Saving institutions in this like manner, generally help to bridge the gap between agrarian and commercial economic patterns and between the peasants and traders and in more serious sense of it, helped to develop the general attitude to the antecedent of money and it uses in the economy.

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<sup>67</sup> Mr. O. Adelamoni, A Retired Civil Servant Oral interviewed 13<sup>th</sup> July, 2013, Owo, Age73.

<sup>68</sup> Mrs. Abi Omotula, Oral Interview, A Trader, 13<sup>th</sup> July, 2013, Epe, Age 63.

<sup>69</sup> Mr. Ogedegbe, Farmer, Lagos, Oral Interview consulted on the 25 of October, 2013, 67. See also, [www.mcser.org/image/stories/2.jour...](http://www.mcser.org/image/stories/2.jour...)

## **2.8 Changing Pattern of Indigenous Economy to External Demand**

The wealth of any society prevails in the level of production. By the production of commodity, an object for the direct satisfaction of human want and tools for further (re)production of other commodities. The economy of the southwestern Nigerian area, and indeed, the entire Nigerian area before the 15<sup>th</sup> century was arguably diversified-with opportunities in manufacturing which involves the development of - tools, utensils, insignias among the most noticeable elaborately crafted terra-cotta, brass, and bronze cultures of the Benin and Ife.

While some communities engaged the sea resources as fishermen, few mined salt, and smith-copper, brass and iron while majority of the people were farmer. Another aspect of the economy of the southern area people was the weaving and dyeing of cloth, mat and other household needs either for protection or for decoration. As virtually all or most household kept animals: goats, sheep, chicken in rare occasion, cattle either for sales, sacrifice or for consumption. Where there is shortage of any of the necessary commodity, the resort to trader in short or long distance developed to supplement the shortfall.

In all intent and purpose, if the gross domestic product of a nation expresses the total-value of all the goods and services produced over a specific period in comparison to another, is calculated as what the individual get over what is expended in consumption and investment inform of saving for unforeseen future. Its therefore indicates that the individual got more than average in the economy of the area before the advent of Europeans in the in 15<sup>th</sup> century. But the opposite happened in the colonial era when the economy motive and drive was regulated and directed towards trade and the production of commodities to meet Europeans industrial demand. With the promotion of trade, especially the transatlantic slave trade, diversion of attention from

productive activities to raid, warfare in an unprecedented measure was the first signs of the change in the economy activities in the area.<sup>70</sup>

Another obvious fact that changed the nature of economy of the people of Nigerian was the introduction imperial currencies in the area. Before the introduction of coin currency, several articles had passed as money. It can be argued that the 1904 official proclamation which prohibited the importation of cowries to Lagos marked as the most significant change in the pattern economy. The imperial currency turned the market places to factory and money subsequently became the chief producer of all human need. Such that any person with money irrespective of the person status, can buy all human labour. In view of this, money became the only express fluid by which all transactions were to be carried out and human relations regulated in the colonial economy.

## **2.9 Conclusion**

It becomes clear that the economy of any society, just as its history is always in transition. Southwestern Nigerian area before the coming of the Europeans up to the 20<sup>th</sup> century had evolved and developed an economy with everyone rightfully engaged in one form of occupation or the other. Despite the crudity of its methods and equipment when compared to the capitalist nations at the period of contact, the experience was of considerable success.

The consequent dyad of unemployment and poverty which have formed the puzzle of present economy was not the case in the pre-contact era. Most especially, at the second stage discussed above in the history of the people. The origin of these problems is traceable to the slave trade era, especially the trans-Atlantic trade.

A major thesis of this chapter is the highlight of consumption as the key driver of the economy. That is to say the economy was consumption centric. The dependence and poverty of

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<sup>70</sup> N. Latham, *The Heritage of West Africa*, Hulton Educational, London, 1964, P.36

the freeborn in the region, reached a greater proportions as a result of monetization of the economy. In theory, the poor members of a family had access to the wealth of other members through the extended family system. Their two basic needs: feeding and accommodation - were often assured in the big house of the wealthy member for the poor in time of difficulty.



## CHAPTER THREE

### INTRODUCTION OF COLONIAL FINANCIAL/ECONOMY SYSTEM IN NIGERIA IN 1860 -1945

#### 3.1 Introduction

“Behind each great historical phenomenon there lies a financial secret.”<sup>71</sup>

The introduction of colonial banking institution in Lagos in 1892 marked an important epoch in the history of southwest Nigeria. Banking institution is indeed seen as one of the most important institutions that defines the sovereignty of any modern nation. Hence, there is no state without a banking system. To the colonialist, it represents modernity and civilization.

It becomes obvious from the activities of the banks that its “civilization” and “evangelical” mission as the reason for introducing the colonial financial system – currency and financial institutions by the colonialist– is a *faux pas*. To show that financial secret was phenomenal in the colonial relation with Africa, is to examine the obvious in the words of Lugard, a principal British facilitator in the colonial scheme.

“A factor which greatly militates against my efforts to promote the circulation of coinage- which should promote and facilitate trade and would [also] very assist the administration in the collection of taxes and duties – is the refusal of the sole European firm which has any large connection in the country to purchase any produce expect with barter goods and their unwillingness to accept cash when tendered by the natives (or anything but produce) for their goods. Presumably they thus hope to make double profit.”<sup>72</sup>

Therefore, the discredit, stamping out of “local” currencies and subsequent introduction of British currencies in the late 19<sup>th</sup> century was not just to eliminate the difficulties of barter, rather to open up southwest and indeed, Nigerian economy to European’s financial interest.

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<sup>71</sup> N. Ferguson, *Ascent of Money*, P.2

<sup>72</sup> F. Lugard, “Annual Reports, Northern Nigeria: 1900-1911”, *Journal of the Historical Society of Nigeria*, Vol.2, No. 1, December 1960, P.135

### 3.2 The Role of Finance in the Conquest of the Southwestern Nigerian Area

The use of different tactics and methods have been advanced and discussed in the British conquest and subjugation of the societies of southwestern Nigeria area.<sup>73</sup> Among some of these methods and tactics: trickery, treaty, missionary evangelism and the might of the maxim guns, have received much more attention. This is not in-any-way peculiar to the region, but a common feature in the colonial conquest of most societies in the Nigerian area. It would become obvious in the re-examination of the conquest of not just the southwestern Nigerian area but of most colonies in the world that finance factored significantly in the conquest.

There is no doubt that where the tricks of treaty has failed, European would resort to the power of the Maxim gun and in some occasion, bombardment. But as vital and critical these two methods were and factored in the conquest, none came close to the role finance capital played. Finance capital, it would be argued here, dictated and determined the tone and pace of the process of conquest. According to Y.B Usman:

“the British conquered us [Nigeria] not because they had the maxim-gun, and we do not, but because the kingdoms, chiefdoms, city-states and village-confederations were weakening due to primarily, to internal factors and limitations. Slavery and the slave trade; were intensely particularistic communal and feudal autochthony; and parasitical mercantilism, were some of these factors... economic intermeshing, and of external trade, made the existing polities unviable at an increasingly rapid rate during the end of the [eighteenth and nineteenth] centuries. The search for the bases of new polities to replace the existing ones seemed to have pre-occupied the Aro merchants and the Nri priests as much as it did the Kano and Borno merchants and intelligentsia. The relationship between the leaders of the Tiv tar, the Wukari aristocracy, and the Hausa traders, went far beyond mutual exchanges, into the issue of finding new bases for political and economic communities, to take into account the new economic and

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<sup>73</sup> I.S Jimada, “Clash of Imperialisms C.1886-1897: The Bida and the British Authorities at Crossroads”, A Paper Presented at the Department of History, Ahmadu Bello University, Zaria, 1997, P.9, see also, T. Falola & A.G. Adebayo, “The Context: the Political Economy of Colonial Nigeria”, in O.O. Olasope etal, (ed.) *Obafemi Awolowo: The End of an Era?*, Obafemi Awolowo University Press, Ile-Ife, 1988, p. 20

demographic and cultural realities in the middle Benue basin in the 18<sup>th</sup> and 19<sup>th</sup> centuries.”<sup>74</sup>

We can see from this argument that new bases for political communities were now taken in form of the economic interest of which finance capital created a crack, for colonial penetration. Suffices to saying, that, the process of conquest of the societies had began right from the period of contact of Europeans with the polities in the Nigerian area. The period of contact indeed, marked the foundation of the unequal relationship in the transatlantic trade. Then, was the introduction of money.

One has to think of the internecine war among the various communities that make up the Yoruba speaking people to appreciate the role of finance in their conquest. How the issue of trade and debt played a remarkable role in the conquest of the area, especially the struggle for control of trade which was a source of finance. The first two decades following the abolition of slave trade, was a period of intense and acute competition among Europeans in the trade relations with Africans. It was at this period that financial inducement in form of trust played an essentials role in palm oil production and business in the area. The credit system, a form of advance financial – credit - ties given to African merchant especially at the coastal city-states in anticipation of supply from the hinterland, was one of a system, that served a double purpose in the conquest and subjugation of the people.

The cause and effect of the system was the desire of the Europeans to have a constant supply of the commodity which became a prized asset in Europe at the time. The situation was such that, to have hold of the supplies, Europeans have to give money in advance to the merchants who served as the middle people in the trade. It created a situation whereby the city-

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<sup>74</sup> Y.B. Usman, “Understanding the Economy and Polity in the Late 20<sup>th</sup> century”, *The 1996 Vanguard Lecture*, Muson Centre, Onikan Lagos.P.8

states became the major centre for the export oil business, with about 25,060 tons of palm oil totaling more than three-quarters of the whole export passing through Lagos trade route.<sup>75</sup>

The Nigerian merchants with European finances simulated a new predatory economic venture in the area that tied peoples' labour and attention to Europeans demand. The irony of the stimulation was that the merchants of the Lagos estuary were in serious financial and loyalty debt that weakens their creative prowess to the Europeans finances.

Most of the wars and conflicts among the various nations of the Niger-deltas and in Yoruba land, the picture one gets, could be explained in quest to secure and control sources of finance and trade. So that by the 1840s, the competition had not just created a situation of envious wars which weaken the states but also; created a situation whereby virtually all of the merchants in the area became indebted to Europeans merchants.<sup>76</sup> In such that double trust made the African traders became indebted to more than one of European traders. The trust introduced an element of monopoly in the business and trade transactions on the first, between the middle-people and the Europeans.

The negative part of the credit system is that African indigenous development, freedom was usurped. And the result of the situation gradually led to the lost of independence by the time they depended on Europeans for the supply of finance to wage with Europeans imported goods and weaponry.

It becomes imperative stating that the relative ease with which the pre-colonial polities of the southwestern Nigeria especially the Yoruba were conquered by the British was not primarily due to the maxim-gun. The polities that made-up the coastal and the hinterland of southwestern area fell due to internal weaknesses caused by war for the control of sources of finance. In fact,

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<sup>75</sup> K. O. Dike, *Trade and Politics in the Niger-Delta 1830-1885*, Clarendon Press, Oxford, 1972, P. 98

<sup>76</sup> See, I. A. "Nwabughuogu, From Wealthy Merchants to Petty Trader", *Journal of Historical Society Nigeria*, 1982, P.15

the evidence is that they were largely, and increasingly, unviable, and whether the British had invaded or not, they were likely to be replaced by more ambitious groups also seeking to control the flow of finances from the economic activities.<sup>77</sup> As witnessed in the collapse of Oyo Empire and the emergence of several other polities in its place.

Interesting evidence relating to finance in the colonization of the Nigerian area is the financial deal that took place between the British and king Dosumu in 1861, in which Dosumu had to transfer the sovereignty of his capital to the former for an annuity of 1,200 bags of cowries.<sup>78</sup> The 1,200 bags of cowries' equal £1,000 British pounds after the bombardment of the city in 1851. An illustrative aspect of the fact is that, while different polities in the Nigerian area fell to the British by different ploys, the southwestern area especially the coastal regions was conquered both by the force of arms and finance. In Lagos, the bombardment was followed by the political-kingship rivalry in which the British finance played active role.

In addition to the factor of finance, trick, and the role of fire arm, is to be found the psychological effect of power tussle witnessed in some of the societies in the Nigerian area within the period of the conquest. What is commonly known about the conquest of the hinterlands of the Lagos area (that is the area known as the Yoruba land), most of the area was said to be weakened by the internecine war.<sup>79</sup>

The collapse of Oyo Empire had been argued to have created a power vacuum in the area that led to war *inter se*. It is also possible to see both the collapse and the consequent civil war in the struggle to control the finance from the trade with Europeans, especially the struggle to

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<sup>77</sup> Y. B. Usman, P. 15

<sup>78</sup> A.H.M. Kirk-Greene, "The Major Currencies in Nigerian History," *Journal of Historical Society of Nigeria* Vol.2, No. 1, December 1960, P.138

<sup>79</sup> A.E. Afigbo, "The Consolidation of British Imperial Administration in Nigeria:1900-1918" P.436  
<http://www.jstor.org>

control the route leading to the coastal region. Thus the weakened situation created, permitted the entrance of the Europeans to interfere and subsequently, the conquest of the area.

At the hinterland, even the conquest of the various societies at bank of the rivers Niger and Benue, the role of the Royal Niger Company which later became United African Company (U.A.C) is well known and documented. Even the military expeditions and clashes recorded in some of the Nigerian area have financial underpinning as the major factor driving the British forces on for a complete subjugation. The financial motive alone would explain the reason for the British clashes with the people and area they never had trading contact. This is the fact that the areas were the source of the wealth of the centralized and fortified kingdoms and states.

To further buttress the role of finance capital, is to attempt a calculation of the time, energy and the cost estimation of the processes of conquest and resistance from both the colonizers and the colonized. On any side, serious energy and material was committed in the struggle of conquest and resistance. And nothing could have explained the determination and the resilience spirit from both sides at the time when finance or money defines everything, if not money or finance capital itself. On the part of British, the conquest of Lagos opened up a new source of finance capital; while African fought back for the trade and their economy, the source of their finance capital that determined their independence.

Thus, throughout the 19<sup>th</sup> century especially the period around 1841 up to 1919 it was argued that land negotiations for the British merchant around the lower Niger confluence was a period of intra and inter imperial expansionist conflicts in the Nigerian area.<sup>80</sup> A period of monopolistic move in the world, a period when finance capital inform of taxes in cash and kind from nations dependencies, does not only enrich their treasuries, but also determine their powers

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<sup>80</sup> See I.S Jimada, "Clash of Imperialisms C.1886-1897: The Bida and the British Authorities at Crossroads" The Department of History Seminal Paper. P.8

and prosperity. It was in war inter se, which weakened of the nations, kingdoms chiefdoms, and city-states in the region.<sup>81</sup> And it is from the ambitious drive to control trade and other sources of finance that the conquest of the whole area of southwest Nigerian became a possibility.

### **3.3 The Introduction of British Financial Institutions in Southwestern Region in 1890s**

Bank, one of the key socio-economic institutions of a state, serves as a spur to the mobilization of idle or unused financial resources. It enhances the efficient utilization of resources in the economy between and within every sovereign state.<sup>82</sup> It controls and monopolizes the financial activities of the people in such state. A bank, according to A.G. Adebayo, deals in money and money substitutes, and it provides a range of financial services. In a strict formal sense he argued that banks borrow or receive deposits and make loans to customers<sup>83</sup>.

It has become a necessary component of a contemporary (capitalist) state structure. The question today is; can any state without a banking system qualify as a sovereign state? The issue here is not whether the banks serve any particular class interest or not, but nations just need to have the banking system or, such state would have it imposed on them from other country with a strong and big financial power.

This was the case in the late 19<sup>th</sup> century with the British imposition of their banking institutions and practice in Lagos area in 1892. The introduction of the imperial banking system was one of the many secrets of the period immediately after the Berlin Conference. Not because of the absence of saving system, but part of the reasons for the imposition of the imperial institution is the ploy to further consolidate and stamp the imperial authority in the Lagos area

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<sup>81</sup> M. Mason, *The Foundation of the Bida Kingdom* p. 135

<sup>82</sup> R. Cameron, (ed.) *Banking and Economic Development*, Oxford University Press, 1972, P. 5

<sup>83</sup> A. G. Adebayo, "Money, Credit, and Banking in Pre-colonial Africa: the Yoruba Experience", *Anthropo Institute*, <http://www.jstor.org/stable/40463014> P.391

that had fell under the imperial control by the 1862. This date also marked the evolution of imperial financial and currency system in the southwestern region.

One of the first imperial banks introduced at the period was the African continental bank (ACB) with its Headquarters in South-Africa. This bank controls the financial activities of the continent with the help of the British citizens in the union of southern African region. Two year after, the African Continental Bank was followed by the establishment of British West African bank in 1894 with it headquarters in Lagos. Subsequently, there was the introduction of the branch of the Barclays bank that later transformed into present Union bank in addition to the bank formed by joint imperial nations of France and Britain known as African Continental Bank surviving today as the United Bank of Africa. (UBA)<sup>84</sup>

A historical trend in the world development, especially in the development of financial institutions has shown that the practice of conventional banking as it is known today, had undergone some changes and modernization from it early form. The need for, and the introduction of banking practice emerged from the desire to overcome risks. The risks such as the lost of certain valuable, meeting unforeseen future challenges of not losing pawned items such as gold, food stuff had led people into lending and saving during the period of surplus. This principle was not different from the idea behind the indigenous pooling system practiced in the Nigerian area before the advent of colonialist.

Therefore, the idea of banks, and the banking system as it is today, was a string of similar and connected practices, idea and invention of different places. The Italian city-states had been credited with the innovation in banking before the twelfth century. Even earlier before this time, the Mesopotamian were said to have clay record in relation to the settlement of debt. Countries borrowed and continued to improve on strings of practice for their national banking system. That

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<sup>84</sup> <http://www.jstor.org/stable40463014>



is, most countries including Britain could have borrowed or copied the idea of conventional banking system from these nations.

However, this was not the case with most of the colonized nations especially in the Nigeria and Africa in large. The pattern, in which the banks were introduced in the area, was an indication that the banks were introduced not for the benefit of the people but for the benefits of merchants, traders and the colonialist. As most of the people were first and foremost, ignorant of the dealing of the banks and their operations in the area just as it was with the British pound currency which became the unit of account and legal tender.

The people did not trust the financial institutions that were introduced by the colonialist. Hence, becomes explicable that the imperial financial institutions, the British pound currency in addition to the conquest of the Nigerian area was to promote financial, and the finance interest as the main reason behind colonialism.

The financial institutions, the change of currency and the conquest were three things the British used to get one result from the colonized territories. If the conquest was to force the Nigerians to recognize full Europeans presence, then, financial institutions and pound currencies policy was to tie Nigerian to the apron of Europeans economic hegemony. The truth of the matter is that following the evolutionary process of life, the flow of events means that at some points in the development of the people of southwestern Nigeria, a time would be reached when the multi-centric currencies and indigenous saving institution would have developed to a bank with its institutional routines.

But then, the conquest and the imposition of imperial currency and of financial institution of the banking system led to a dislocation in the economy and thus, the apathy and the distrust of

banks and banking system in Nigeria today.<sup>85</sup> The introduction of banks, in addition to imperial currency indeed, changed the structure, operation of the Nigerian economy. The reliance of economic activities of production, trade, and manufacture on a great volume of money changed the socio-cultural relations in the society. Hence, the strategy adopted for development by various governments had been geared towards nurturing the capitalist logic which claims that capital rather than labour is the crucial element in the production process.<sup>86</sup>

Capital accumulation by all means was to be encouraged and policies were articulated to ensure its realization. It was in this process, in addition to the alien currency and imperial banking policies that cut-off masses of Nigerians from productivity. And it is within this range of discussion that the issue of poverty and underdevelopment would be understood.

### **3.4 The Role of British Pound Currency and As Medium of Exchange in the Area.**

The catalogue of articles serving as medium of exchange in the world financial history is an indication of the fluid nature of money and the attitude of the people in such society. Items ranging from stone, metal, shells, animals and their parts were used in the past as money.<sup>87</sup> What made the items money had been a subject of serious debate among scholars of different fields.<sup>88</sup> In all, it has being agreed, for anything to serve as money, it must be valued in exchange; it must be convertible; it must be durable; its general acceptability should be not questioned; and more of recent, is that it must be a unit of account.

According to monetary economist, for anything to pass as legal tender, it must possess all these qualities. In the light of this, Europeans after several centuries of trading relations with the

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<sup>85</sup> A. G. Adebayo, “ Money, Credit, and Banking in Pre-colonial Africa: the Yoruba Experience”, Anthropol Institute, <http://www.jstor.org/stable/40463014> P.397

<sup>86</sup> See, M. Kwanashie, “Economic Crisis of The Nigerian Economy” in Nigerian Economy and Society Since the Berlin Conference, Vol.1,P.4

<sup>87</sup> P. Einzig, *Primitive Money*, 2nd edition, Oxford ,Pergamon,1966, P. 555

<sup>88</sup> D. Goldberg, “Famous Myths of “Fiat Money” *Journal of Money, Credit and Banking*, Vol.37, No. 5, October 2005, Pp.965 [www.jstor.org](http://www.jstor.org)

African, on the items such as cowries, copper and manila currencies suddenly changed and imposed the “nickel coin” and pound note currencies on Lagos and latter Nigerian area. In the unit of ‘£’ standing for pound, ‘S’ for shilling and ‘d’ for the Spanish dollar at beginning of the 19<sup>th</sup> century.

The period preceding the conquest of Lagos, saw several moves by the European to ensure the domestication of the imperial currency in the Nigerian area. The period came with some legislation in the attempt to replace the multi-centric currencies in the region. No one would doubt the difficulties of manila and cowries in the exchange system, and the effect of a uniform monetary system in the country.

Apart from the fact that imperial currency serve as a legal tender, it also has the grace of easy portability in addition to its large acceptability circulating across a wide geographical area of the British West African territories. But behind the trapping qualities, was its role in the subjugation of the economy and the people of southwestern area.

First the pound currency drew both African and Europeans into a new form of relationship and laid the foundation for a form of economic system called colonial commercial economy. Colonial commercial economy system shifted attention from the production of goods and services to meet the satisfaction of necessary need, to the production of items and goods to meet the servicing development of the imperial economy. It was in the economy system that advance the unemployment rate became an issue in the Nigerian area.

As at first, many of the merchants in the area experienced financial starvation, it can be argued that the demonetization of the traditional currencies of the southern Nigerian area was a deliberate policy measure undertaken by the colonialist to get the masses out of their occupation. Most especially those that were engaged in the manufacturing (crafts) industries, farmers and to

some extent, people who had engaged in trading to the work in the mines and the railway works to get the pound currency to meet colonial taxes demand. The effect of this was that financially, the country was rapidly being converted into an appendage of the British economy.

Secondly, the weight of most of the currencies in the area made the issue of transportation another major problem for the pre-existing currencies thus, justifying the need for the change. This was, however, a rather superficial problem, valid only in the experience of the Europeans who had the intention of holding or expatriating large sum to meet their imperial drives and motives in the Nigerian area. This was never the case with vast population and people of Nigerian who owned and used the currencies.<sup>89</sup>

Again, the withdrawals of the pre-existing currencies without any provision of redeeming existing stocks with British currency were the cause of poverty in the Nigerian area. This is so, because by the 1901 the colonialist enjoyed the further advantage of control over the minting and issuing of the official recognized currency of the colony. Therefore, African holders of the pre-existing currencies who had not deposited off by 1901 were not so fortunate.

As their finances now worth much less than they had been in 1880.<sup>90</sup> In all, it becomes clear that the forced elimination of the pre-existing currencies with British currency in the southern Nigeria started with the native currency proclamation No.14 of 1902. This decree prohibited the importation of manila, brass rods, and the copper wires were severally restricted as currency in the southern Nigerian area.

The change of pre-existing currencies in the favour of the British pound currency afforded the British government and its mint, a very good profit margin for redemption since the bargain supply for West Africa, the mint would have made a profit of £5, 581 on every £10,000

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<sup>89</sup> W.I. Ofonagoro, "From Tradition to British Currency in Southern Nigeria: Analysis of the Currency Revolution 1880-1948". P. 140 [www.jstor.org/stable/2119865](http://www.jstor.org/stable/2119865)

<sup>90</sup> CO/520/8, Moor to C.O, June 22, 1901

of silver. To demonstrate the fact that British were out with a motive to impoverish the masses of the colonies, is to show the rejection of the proposal for redemption. In rejecting the proposal, the following words were given:

This it seems to me would be to recognize officially the very media of exchange we are anxious to get rid. If they were so recognized, I don't see how the government could logically refuse to accept payment in them; in fact, they would become legal tender. Thus, the loss which Sir Ralph Moor fears for the present holders of such media of exchange if they eventually supplanted by coinage currency (and this is the very end aimed at by the proposal) would tend to fall on the government."<sup>91</sup>

Apart from the effect of unemployment, the second effect of the policy is the level of social and economy deprivation and alienation created in the society. To understand the effect of poverty, one has look at the introduction of these policies. Poverty a conceptual abstraction that group together a nexus of several material deprivation of, hunger, health, freedom of choice to pursues the path of the progress with the environment resulting in the shortage or lack of money, food and other things.<sup>92</sup> The material deprivation experience by the people was inform of a socially constructed scarcity of finance especially loan, one of the axiom of the capitalist form of production.

### **3.5 The Establishment of British West African Currency Board in 1912**

Money and coinage have been the sole prerogative of the state. But in the colonial territories, the Governor, as the King's representative was the guardian of the royal prerogatives. The colonies had no power to set up mint by themselves. Currency matters, in the colony were ultimately under the control of home government, more particularly under the secretary of the state for the colonies. Legislation on currency matters in the colonial territories has taken, and continues to take many different forms. But by and large, in one way or another, currency boards

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<sup>91</sup> See NAI/CO/520/8, minute, Butter to Anthrobus, 18/7/01

<sup>92</sup> L. Yapa. What Causes Poverty? A Post-modern View, [www.jstor.org/stable/2564348](http://www.jstor.org/stable/2564348)

have been set up in the various territories. And however, dissimilar they were in forms and in names; they all acted substantially in the same way. The Boards were usually situated in the area in which the currency was to circulate and use their Crown Agent for the colonies to transact their London business for them.

However, the West African Currency Board was exempted from this arrangement. It was situated not in the territories, but in London, and acted directly and not through the crown agents.<sup>93</sup> In these areas, the British colonialist grouped the four territories together for currency purposes as it was in Nigeria, Ghana, Gambia, and Sierra Leone the four British West African colonies.

After the introduction of imperial currency and of a financial institution, another major institution established was the West African Currency Board. As the name implies, the West African Currency Board was an institution which function span the whole territories of British West African colonies. Along the ascendance of European currency and financial system, came the need to establish a financial market in which the Board played effective roles.

It was along this line of action in addition to the disaffection and protests against the British West African Bank in the handling of the financial need of the merchants, which led to the establishment of West African Currency Board (WACB) in 1912 after 18 years of the British West African Bank role in this regard. The West African Currency Board at its establishment was saddle with the responsibility for issuing separate currency for the British colonies in West Africa colonies.<sup>94</sup>

Apart from this, the West African Currency Board was to play the role of fixing the exchange rate between the British currency and other currencies in the area. Therefore, making

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<sup>93</sup> H. A. Shannon, "The Modern Colonial Sterling Exchange Standard", Staff Papers - International Monetary Fund, Vol. 2, No. 2, Apr., 1952, P. 319

<sup>94</sup> A. Claude, *A Political Economy of Africa*, Longman Group, Nigeria, 1981, P.34

the West African Currency Board another tools in the hand of British colonialist for not just monetizing the economy, but also, bringing the colonies in to the full financial orbit of the imperial nations. The issuing of local currency boards are linked with sterling under the colonial sterling exchange standard.

The rates of the exchange between a colonial currency and sterling, and the right of converting one into the other are determined by law in most case. However, in West Africa, most of the regulations on currencies were by executive proclamations. The proclamations were on the physical nature of the coins, not with their sterling or other value. Regulations made by the secretary of the colonies prescribe parity and double convertibility at 20 shills to a pound, but these regulations, although they bind the board but were mere executive proclamation not legislative.<sup>95</sup>

The West African Currency Board was therefore, mere automatic money changers: they issue legal tender locally on demand against deposit of British currency in London. The West African Currency Board and the entire British colonial territories, have no fixed or independent monetary policy. This also means that the imperial banks introduced in the area too, had no independent credit policy and therefore did not advance credit to Africans enterprise and merchants even when local production have been intricately tied to finance capital.

The Board became an institution of deprivation and thus impoverished the masses. It dealt directly with the imperial banks and was monopolize Europeans merchants in Africa. Of more importance, the Board was a source of income for the colonial government through the control of seigniorage.<sup>96</sup> Therefore, from the inception of the West African Currency Board in

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<sup>95</sup> See H. A. Shannon, *The Modern Colonial Sterling Exchange Standard*, P.321

<sup>96</sup> Seigniorage is the profit made in the minting and printing of coin and paper currency for the colonies in London. Government **income** received from minting of currency, and resulting from the difference between the **cost** of **materials** (ink, **paper**, **metal**) and the **currency's face value** (**par\_value**).

1912 to the period of 1950, the Board made profit from the income dividends of £7,900,000 to the government.<sup>97</sup>

And in 1950 only, profit of £1,405,000 was made while the sum of £400,000 each was appropriated to the four colonies under the control of the board the same year.<sup>98</sup> It is interesting to note, that this sum would exclude the amount stock away in the Currency Reserved Fund. As a general rule, no appropriation or “dividend” can be made to the local Government until what may be called the capital account of the Currency Board, the assets it holds against its liabilities in the form of its notes and coin-equals 110 per cent of the face value of the currency in circulation. For it was the aim of the Currency Boards to build up such a currency Capital Fund sufficient to cover the full face value of the currency plus a margin to provide for contingencies, such as depreciation of the securities held as assets.

This was done to make the Reserved fund and Currency Board a gilt-edged (that is a very safe financial booth) not for the people of southwestern Nigeria but Europeans. The Currency Board did not only regulate price stability in the colonies, it also became the economic-string that tied southwestern Nigerian economy to the British economy. Thus, from the start of the policy of colonial self-development, to colonial development and welfare commission saw the introduction of one of the imperial bank the Barclays Bank Dominion, Colony and oversea, had strong ties with Board.

### **3.6 The Activities of European Trading Companies as Bank in the Area.**

The presence of multi-national companies like United African Corporation (UAC), John Holt, P Z, and Unilever Company took advantage of the restricted banks credit and acted as banks in the country. United Africa Corporation (UAC) just as it was with the Royal Niger

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<sup>97</sup> H. A. Shannon, P. 323

<sup>98</sup> Ibid. P.328



Company played significant roles in this regard. The activities of these companies fundamentally re-structured not just the internal trade, but also the pattern of production that existed in pre-colonial Southwestern Nigeria.

While some continuity from pre-colonial to colonial export production existed, especially in the palm produce economy,<sup>99</sup> the colonial “opening up” of the hinterland resulted in a completely new stage of development. First, this was due to the availability of new types of export crops, like forest products (rubber, timber) and cocoa. Second, because of the sheer quantitative growth in trading volume (which corresponded to a dramatic rise of imports) allowed new types of traders and trading company’s entrance to hinterland.

The presence of colonial firms meant the breaking of positions of wealthy merchants like the one held by *Elewi of popo*, *Nana of Itsekiri*, and the *Egbado and Benin* merchants, who had controlled the hinterland trade: commercially, politically, and militarily. Severely affected by the re-structuring were the *Ijebu* and *Egba* merchants in the coastal cities of the region.<sup>100</sup> They lost not only their previous monopoly of access to the hinterland, but also the social control they had exerted over their members, dependents, and slaves resulting in a progressive dissolution of the petty traders.<sup>101</sup>

For a majority of these traders, whose business meant a chance to secure their livelihood “employment”; only few had the opportunity to accumulate trading capital and extend their business towards a larger scale. A certain degree of education and experience as shop-keeper for

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<sup>99</sup> S. Martin, “Gender and Innovation: Farming, Cooking and Palm Processing in the Ngwa Region, South-Eastern Nigeria, 1900-1940,” *Journal of African History*, 25, 4 (1984), 411-27

<sup>100</sup> See A.G. Adebayo, *Money, Banking in Pre-colonial Yoruba society*

<sup>101</sup> See K.D.S. Baldwin, *The Marketing of Cocoa in Western Nigeria*, (Oxford, 1954), and R. Galletti, K.D.S. Baldwin and I.O. Dina, *Nigerian Cocoa Farmers*, London, 1956

a European firm were already helpful for successful business elite during the colonial period, though these did not constitute a sine qua non for industrial success.<sup>102</sup>

In places like Lagos, Ibadan and to a smaller extent also in Benin and Burutu, Nigerians for decades played some roles in importing from, and exporting to Europe directly. During World War I, cooperation between the British trading firms (particularly regarding the allocation of freight space) to the Association of West African Merchants (AWAM), founded in 1916 led to problem for this association as the European firms had to take over the market.<sup>103</sup>

In the boom situation immediately after the end of the war, Nigerian traders were eager to participate; an official handbook in 1919 listed nearly 50 Nigeria firms, most of them based in Lagos, Ibadan, and Sapele exporting cocoa, palm kernels and timber products. The crisis of 1920-21, however, did not only throw post-war newcomers out of business, but also brought to the brink of bankruptcy for large African exporters like P.J.C. Thomas,<sup>104</sup> who had been well-established since the end of the nineteenth century.

Most pre-colonial trade on the West African coast had been based on “trust.” A credit system in the form of trading goods given by a European to an African trader on the basis of the latter's social standing and commercial experience. In the early colonial period, the “trust” system became more widespread: any Nigeria trader who could deposit as security a certain amount of startup capital in cash with a European company would thus increase his or her own trading capital by a credit from the European side.

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<sup>102</sup> J.D.Y., Peel, *Ijeshas and Nigerians*, The Incorporation of a Yoruba Kingdom 1890s-1970s, Cambridge, 1983, 163- 64

<sup>103</sup> www.RhodesHouseLibrary/RHL.org. John Holt and Co. Papers [HP] Mss. Afr. s.825, 232(i), “The Association of West African Merchants: Rules,” August 1916, reprinted November 1937 (after the organization had been extended to include continental firms).

<sup>104</sup> *The Nigeria Handbook*, Lagos, 1919, P.184. The African business profiles published in A. MacMillan, (ed.), *The Red Book of West Africa* (London, 1920), are also influenced by the spirit of the short-lived boom period. O.N. Njoku, “Trading with the Metropolis: An Unequal Exchange,” in Toyin Falola, (ed.), *Britain and Nigeria. Exploitation or Development?* (London, 1987), 124-41, especially 134, notes direct exports after World War I from South-Eastern Nigeria that were obstructed by European firms through the allocation of shipping space.

The introduction of the “deposit” system had much reduced the entrance level into business relationships with European trading firms, allowing just few Nigerian traders to deal directly with them. While there were general discriminations against the Nigerian traders, the discrimination on gender bases in colonial financial system, was more endemic as women who were closer to the production of primary material were often than not, cut-off from the access to colonial trust system.

While this type of credit involved and breeds dependency, there was another side of the coin. The competition among European firms for financial gains in the export and import trades meant, in practice, a competition for ancillary traders (who would sell, and buy from the firms). This meant a double dependency in southwestern Nigerian area. Besides the discriminating prices offered to Nigerian traders, the conditions of credit offered by the firms were an important aspect of this competition. It was in this kind of competition, that firms like John Holts, UAC connected to some of the powerful Europeans Banks and shipping lines held the Nigerian merchants down in a total dependency state which spiral down to other who were the backbone of the economy.

The lopsidedness in “credit grant” stimulated African merchants to organize ways of managing their export activities. Though, with the addition of colonial banks in the southern Nigeria area, very few of the Nigerian merchants had the opportunity of gaining access to the banks credit. There were also strong ties between the banking services and the operations of the joint-stock companies in one hand, and the process of industrialization.

Understanding the anger and disappointment of the Nigerian merchants against the lopsided operation, would help us in understanding the importance of the banking system to industrialization process. The evocation of the process of transforming an economy from a mere

primary and raw material production to one base mainly on manufacturing and industry, is the movement from commercial – capitalism to industrial – capitalism. This process of transformation anchored on easy access to financial capital (was not the case in Nigeria due to the activities) halted by joint-stock companies and the bank in the credit starved economy.

The imperialist realized that industrialization and agricultural development would be realized through the medium of opening up of capital to indigenous merchants. Being apprehensive of the economy and commercial capacity of Nigerian merchants, the companies did everything to put the progress back in such a manner that the formerly large established African exporters and importers had little chance to compete with conglomerates of this size. The company journal of the Elder Dempster shipping company wrote in 1928 - at the end of the last period of growth before the Great Depression - about the passing of the native merchants.

One cannot help being impressed, perhaps unfavourably, by the disappearance of the big native merchants, shrewd, active, and highly esteemed, and it is regrettable that, for some reason or other, native partnerships and combinations have never proved successful and are practically non-existent today.<sup>105</sup>

The development of import trade differed to some extent from experience in produce exports. Here, the larger African importers (apart from some highly specialized firms, like pharmacies) were squeezed between the big European firms on the one hand and a new type of small-scale African import traders (which developed in Lagos and some of the larger inland towns during the 1920s) on the other. A report from Onitsha in 1928 described this development over time:

*Prior to War, there were at least a score of quite prosperous native shopkeepers (importers), principally Sierra-*

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<sup>105</sup> NAI CSO 26/21526/1, "The March of Progress in West Africa," Elder Dempster Magazine 7, 26 (June 1928), cutting.

*Leonians or Lagosians. Today, only, at most, four of them survive as importers, and they complain bitterly. Meanwhile, however, there has been an appreciable increase in the 'moderate to trifling' importer and retailer, who has a few feet of space in the market place and carries his stock to and from his house.*<sup>106</sup>

These traders imported small, sometimes very small quantities of goods. They partly relied on well-known trademarks, and sometimes, use the services of specialized mail order companies in Britain. Some traders pay for their orders in advance; others, when ordering, deposited 25 or 50% with a bank in Nigeria and paid the rest on delivery.

In many cases, importing was only a sideline of these traders. They were otherwise concentrating on the distribution of goods bought from the European companies within the country. But it is important to note that there was a difference to the field of produce export where economies of scale favored the large European firms. The import trade, with its large variety of goods, offered many more niches to small traders throughout the colonial period. The improvement in communications between Europe and West Africa had reduced to a minimum, the “entrance level” into this trade.

The virtual disappearance of what was seen as the independent African traders, able to compete “on equal terms” with European firms, was part of the experience of colonialism for African industrialists of the 1920s and 1930s. Most visible was the disappearance of the large exporters and importers who had been pillars of the Lagos society a generation earlier.<sup>107</sup>

In the conquest and domination of the territories in the Nigerian area, and indeed the entire African continent, individuals like Goldie and Rhode in addition to their trading companies

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<sup>106</sup> See P.N. Jester, “Commentary on Import Credit in British West Africa,” 3 June 1940, and from a number of letters by local (British-owned) banks to the American Consul in NAI RG 84 LC 610.1., Providing information on the credit rating of African importing firms.

<sup>107</sup> Daily Service, 6 July 1938.

come very handy.<sup>108</sup> Of this, the Royal Niger Company a major player in the importation of imperial and commercial institutions has had a stamp in the areas later came to be Nigerian territories. Its impact is in a capsule, captured in the words of one of its principal officer.

*“... Let us never forget that it that was the success of our company in this new and the emulation aroused by its successful enterprise, which not only gave security to the Oil Rivers and Lagos, but also gave fresh life and energy to the other West African possessions which had previously stagnated at seaboard. To my mind, these incidental results of the company’s earlier operations – between 1878 and 1886-are, perhaps, its claim to be remembered, for a time, in connection with the modern history of Africa.”<sup>109</sup>*

Indeed, no one, not on the side of the colonizer none the colonized should doubt the impact of Europeans trading companies in territorial conquest and domination. The Royal Niger Company an amalgam of private rivals companies, started as United African Company (UAC) in 1879 and in 1881, it became National African Company (NAC) securing many more stake by its financial drive, it bought-off other foreign companies under intense rivalry and competition for financial gains the French companies: ‘Compagnie francaise de l’Afrique équatiorial of Paris’, and ‘Compagnie de Senegal et de la Côte Occidentale d’Afrique of Marseilles’ liquated and National African Company became the only monopoly in the territory.<sup>110</sup>

To consolidate its hold, the National African Company sought the support and the backing of the British government. The grant of a chattel on the 6<sup>th</sup> of January 1885, led to the emergence of Royal Niger Company in 1886. With the, the company became one-in-many things: merchant, bankers, commission agents, ship-owner; carrier, and overall, charged with the administration of territories, changed the scope and expanded its operation. Charged with this

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<sup>108</sup>See A.G Hopkins, “Property Rights and Empire Building: Britain's Annexation of Lagos, 1861”, Crawford B. Macpherson, *The Political Theory of Possessive Individualism*, Oxford, 1962; John G. A. Pocock, “Virtue and Commerce in the Eighteenth Century,” *Journal of Interdisciplinary History*, 3, 1972, 119-34; Albert O. Hirschman, *The Passions and the Interests*, Princeton, 1977; Donald Winch, *Adam Smith's Politics*, Cambridge, 1978.

<sup>109</sup> Royal Niger Company Proceedings, 7/13/1886. In, Arthur, N.C. *The British Enterprise in Nigeria*, Frank Cass & co LTD., London, 1964, P. 81

<sup>110</sup> Ibid, P. 83

enormous power, the company acquired a monopolistic stance in operating its trading stations, factories and the right to acquire land, forest, mines, quarries, and manufactories on behalf of the government, was also won. The result of this was garbed in the enormity of its rapaciousness for extra financial gains in the name of ‘pacification and administration’ of vast territories and its people who were asked to grin and bear it, to the glory of the British Empire and the cost of civilization.

As a bank, the company did not only deal in currencies exchange and supply; it also served as the determinant of the tone of development in the territory by playing the role of exchequer to the government in collection of taxes, tribute and levies to the British government. Since the crystallization of money as a major regulation of human affair, it means that every individual would demand one or several items to serve the purpose.

The importation of cowries a major currency in the Nigerian area was in the hand of company. Even with the introduction of the imperial banking institution in the country, the company established close and strong ties with the banks. Since the company functioned as a government and trading agent, it could be argued that the company actually facilitated the introduction of the imperial banking system in the country and thus controlled the activities of the banks in the area of granting of loans to indigenous merchants, and deterring cash availability in the country. This explains why agency like the Post Offices functioned as a bank up to 1940s. The Royal Niger Company can be credited as the facilitator, and indeed, built the pillar of a monetized colonial economy in Nigeria.

### **3.7 The Establishment of West African Marketing Board**

The origins of state marketing boards in West Africa are to be found in attempts by British merchant firms to organize monopolistic cartels to purchase agricultural produces. From

the 19th century, the West African export trade has been characterized by oligopolistic forms of competition. There have been recurrent phases of intense competition followed by market sharing arrangements. And there have been occasional spectacular attempts to keep out or destroy particular competitors.

The effect of economic depression of the 1928-1930 was a general decline felt in the form of low prices for most of the African products in the Nigerian area. To overcome the depleting depression, a numbers of measures were taken. Ocean shipping was monopolized by a number of private British West African shipping rings. As a result, of the demand of the World War one, shipping in 1914- 1918 was carried out by the British imperial government marking the beginning of strong relations between the state and the banks.

Agriculture which had been developed with the view of meeting the need for both domestic and industrial demand was designed on a regional pattern with priority to exploit a particular commodity in each region. This idea was pursued with the classification of agricultural produces with high monetary value (cocoa in the West, palm produce in the East, and groundnut in the Northern) as cash-crops while others with less market value cotton, timber, rubber, were not.

The pattern was such that avoided the spectrum of mono-culture agriculture at the general level, but single-cropping, tending to dominated the regional economies. There was the predominate of agricultural development with the design of the agricultural research and marketing board credit scheme, given the extent to which the high cost of credit must have been preventing commercial farmers and the small merchants handling import and distribution from taking advantage of business opportunities.



During the war, governmental intervention into economic affairs by means of control policies reached a high level and began to affect the everyday lives of “ordinary” Nigerians in their capacity as producers, consumers, and traders. This resulted in a new type of perception of the colonial state and its activities. By intervening directly in economic affairs, the state became partly responsible for the war-time economic problems. This was obvious in the case of export produce price fixing done by the government, and it was similar with regard to the African commercial sector, affected by import licensing and price controls. Government intervention took specific forms: it went through the medium of European trading firms (and quite obviously, from an outsider's perspective, in their interest).

Between the world wars there was a sharp fall in the number of firms combined to form the African export-import trade. In 1919, several leading firms combined to form the African and Eastern Trade Corporation to compete with the Niger Company, which Lever Brothers acquired at a very high price in 1920. In 1929 the two were amalgamated as the United Africa Company (UAC), controlled By Unilever, which henceforth dominated the West African export-import trade. Joint (Pool) agreements among the major European firms operated at various times for palm produce, groundnuts, and cocoa.

They also regulated the market in the main lines of imports. The depression of the 1930s, combined with the dominant market position of the UAC, encouraged the formation of “pool.” Their effectiveness was modified by a degree of evasion by firms competing for the favour of middle-people and, more importantly, by outside competitors, notably Levantine firms. Stricter enforcement of agreed quotas and prices required government intervention, which war-time controls provided.

Farmers opt to have benefited from the competition for their produce in the form of advances. But the main objective of colonial policies “the Welfare & Development” and the Marketing Boards schemes, was to serve, not only for the welfare and development, and price stabilization, yet it also enhance the exploitation of finance masses even at the rural level. It was fecundating for metropolitan economic recovery even though, others commodities like timber, rubber, hides and skin from the colony have been affected in the price drop by the 1945 and the immediate period after, the shipment of cocoa maintained steady demand at 155,000 tons in the same period.

Also, palm oil and kernel export double the 1948 figure so that by the 1951, it was 17,500 tons and 27,000 tons respectively. Such that the colonial state made about £120,000,000 from oversea export of agricultural produces in 1952. The idea of single commodity production at the regional level was a success. Earning in ground nut and palm produce export showed an increase to about seven times more than the tons earned before the second war. Of much more importance, was the earning on cocoa which was about eight times as much.<sup>111</sup>

What this demonstrates was an indication that the Marketing Boards were fecundate for both the producer and the colonial state. In the real sense, the colonial state benefitted more from the scheme. Hence, the question of colonial welfare and development was to larger, a scheme devised for the economic recovery of the imperial state. In the circumstances faced by the British government at the time, it is hardly surprising that they took this opportunity of exploiting colonial producers to shore up the crumbling defenses of sterling and their imperial economy.

However, these policies needed to be justified as serving the interests of the producer. Two justifications were offered. The first argued that the producers would benefit from a regulated system of marketing, in which government fixed crop prices for each season and

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<sup>111</sup> R. W.C. Beall-baker, *Our Economy*, Crowbird Series, No.26 National Archive Ibadan

licensed buyers to protect farmers from ‘abuses’. The second claim was that the boards would use their funds ‘to serve as a cushion against short and intermediate price fluctuations in the world market price’. Some funds would also be used for other purposes of general benefit to producers and industry, such as research, disease eradication, and rehabilitation of diseased trees.<sup>112</sup>

### **3.8 Credit, Cash Shortage, and Moneylender in the Political Economy of Southwestern Nigerian up to 1945**

The role of money as a ‘means to every end’ in all human ventures, and in no small extent to economic development had become obvious long before the 1945. Credit and production complement and supplement one and another in economic activities. The imperial policies of Colonial Welfare and Development scheme and the origin of the marketing board inevitably led to a changing role in the economy of southwestern Nigeria. In this regard, the introduction of taxation and the monopoly of the boards, led to the shortage of cash in the hands of indigenous people and ultimately – the emergence of moneylenders in southwestern Nigerian economy.

Moneylenders just like the shark would take more than a pound of flesh and but also the blood of their unfortunate client. These selfish-usurping lending policies filled the void created by the discriminating lending policy of the imperial bank. This was the role that some Europeans banks, and their lackeys (Lebanese and Syrian) at the middle of colonial economic pyramid in Nigeria, took advantage of their access to bank loans to expropriate and exploit the masses at lower level of the economy.

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<sup>112</sup> See, 1946 White Paper (Cmnd.6950, p.9), as quoted in G. William, Marketing Without and with Marketing Boards: The Origins of State Marketing Boards in Nigeria. *Review of African Political Economy*, No. 34, Market Forces (Dec., 1985), pp. 4-15, <http://www.jstor.org/stable/4005628>

Think of imperial institutions, the economic relationships in colonial Nigeria, then, you would see discrimination against the masses and indigenous merchants on the ground of not being “creditworthy,” “literate,” and “lacking credit security.” These were the obvious tools used for the denial of loan and credit to masses and Nigerian merchants. One could then rightly ask, was there any need for moneylender in colonial commercial economy after the introduction of banking institutions? Or was there a role for moneylenders in the colonial welfare and development scheme introduction in 1940?

According to Falola, he argues that the dyad of opportunities and deprivation of colonial era led to major changes in the reorganization of credits and loans among the people in southwest Nigeria.<sup>113</sup> And some of these changes can be seen in the emergence of moneylender and their roles reflecting the need for, and complains about shortage or complete lack of credits to the indigenous business-people, merchants, and farmers in colonial economy. As one observer captures shortage of credit situation and argues:

“Let us review a situation which is most distressing; no single business-[person] man, company, no individual however wealthy [s]he may be, can run any trade, worthy of the name “Big trade” not to talk of industrial ventures without loans in form of an overdraft or otherwise from a financial institution such as a Bank, for not even the United African Company Ltd, we are sure can deny that whether here or in England loans in form of overdrafts are allowed them.”<sup>114</sup>

The lack of access of indigenous people in the colonial commercial capitalism had led to a national cry. When Europeans companies like the UAC, operated in forms and in facts, as the intermediary between the people and the banks in the areas of credit and loans advance. Due to the myth of that Africans were not being creditworthy. This was used to deny African the

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**113** T. Falola, “My Friend the Shylock’: Money-Lenders and Their Clients in South-Western Nigeria”, *Journal of Historical Society*, Vol. 34, No. 3, 1993, P.403

<sup>114</sup> D. O. Ebegbe, Nigeria’s New Banking Law, *Daily Service*, March, 1952, NAI

opportunity to credit from the banks. This could account for the reason why many middle-people majorly Europeans and the Lebanese and Europeans companies had functioned as potential moneylender to the small retailers. While the companies and the established merchants could use their connection as access to bank loans, they in turn, advance often with harsh term, credits to the Nigeria traders and the masses.

Apparently, the war periods was a difficult time, a period of overall contraction of the intermediary financial system. With some traders dropping out completely from the business line due to lack of credits.<sup>115</sup> As it is the case, in every difficult situation there were losers and gainers. Despite the noted difficulties, some of the traders survived, because the crediting system itself survived the war. This privileged few mostly in Lagos, gain some reputation in respect to financial standing such that most used to privilege with capital, turned moneylender in colonial economy of southwestern Nigeria.

The colonial government even believed and recognized that this privileged few were faring better than the producer class especially the farmers, arguing that:

“[t]he surplus spending power in the Western Provinces lies not to any great extent in the hands of the farmers, but rather in the towns in the hand of the middle[people]men, traders, clerks etc. ... the middle[person]man's profits on cocoa are not likely to fall comparatively with the fall in cocoa prices.”<sup>116</sup>

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<sup>115</sup> See C.V. Brown, *Government and Banking in Western Nigeria* (Ibadan/Lagos, 1964), 11-12, and NAI CSO 26/10305 Vol. III. Another bank, the “Penny Bank,” was founded by the “Federation of Nigerian Farmers” in 1943, but it remains unclear whether it ever became operative: see NAI Com Col. 1/2794, Philips, General Sec., The Federation of Nigerian Farmers, to Commissioner of the Colony, 1 March 1943,

<sup>116</sup> J. Milburn, “The 1938 Gold Coast Crisis: British Business and the Colonial Office,” *African Historical Studies*, 3, 1 (1970), 57-74; see also, Beer, *The Politics of Peasant Groups in Western Nigeria* (Ibadan, 1976), particularly 224-232; A. Olorunfemi, “Background to the Establishment of the Nigerian Cocoa Marketing Board 1947-48,” *ODU* 19 (1979), 58-77; J. Miles, “Rural Protest in the Gold Coast: The Cocoa Hold-Ups, 1908-1938,” in C. Dewey and A.G. Hopkins, eds., *The Imperial Impact: Studies in the Economic History of Africa and India* (London, 1983), 152-70; G. Williams, “Marketing Without and with Marketing Boards: the Origins of State Marketing Boards in Nigeria,” *Review of African Political Economy* 34 (1985), 4-15; R. Shenton, *The Development of Capitalism in Northern Nigeria* (London, 1986), particularly 107-16; D. Meredith, “The Colonial Office, British Business Interests and the Reform of Cocoa Marketing in West Africa, 1937-1945,” *Journal of African History* 29 (1988), 285-300; G. Austin, “Capitalists and Chiefs in the Cocoa Hold-Ups in South Asante, 1927-1938,” *International Journal of African Historical Studies* 21, 1 (1988), 63-95.

In any case, it would be misleading to view this situation of wartime depression as the final stage of a long history of decline, from the late nineteenth century, of Nigerian intermediary produce traders a movement from wealth to misery, “from wealthy entrepreneurs to petty traders.”

The argument to which many people – even objective Europeans - subscribe is simple, yet enough to understand the essence of finance in development. Though, even when prices have risen, Europeans trading firms collected and milked the excess money from the privileged few on the basis of the new prices from the metropolis, and buy from indigenous retailers and producers at old prices. European firms especially the shipping cartels pocketed the difference between the old and new prices of the commodity at international market.

Such keen observers - and there are plenty of them, are convinced that the big firms have for years been skinning the public in various ways. This kind of dealing, made the firms especially the imperial banks in the country, not only lost goodwill, but also led a very active ill-will of a very large portion of the masses towards the banks. At this time, African traders resented being held up for black marketing when the U.A.C. is allowed to do just what it likes with prices and money.<sup>117</sup>

The effect both physically and in value, is the declining volume of imports, which did not only throw petty traders out of business but also resulted in the decline in the sphere of influence of wealthy merchants, leading to shortages of opportunities for industrialists’ expansion. The

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<sup>117</sup>NAI DCI 1/1/4031/S.19 Vol. I, Brandt, Controller of Prices, to Booth, AWAM Delegate, Supply Centre, 9 October 1943. See also, O. Awolowo, *My Early Life*, Lagos, 1986, Pp. 98-100.

major outcome of this kind of deal was a series of “runs” on essential items like salt, mainly between July and October 1941.<sup>118</sup>

Afterwards, salt had to be distributed under police protection. There was a similar runs shortage and revolt in Abeokuta with the estimated number of people involved at 10,000.<sup>119</sup> The Ibadan Resident noted later that “[t]he shortage of salt has done more than anything else as yet to bring the war home to the people of this Province.”<sup>120</sup>

In other cases, AWAM firms supplied salt to some traders who had been “bad debtors” to them, in some cases for many years, in order to enable them to pay off their debts. By 1943, the AWAM firms prided themselves on having reduced, partly by the recovery of old debts, the total volume of credit given to African traders by £1,000,000. Much of this reduction must have taken place at the expense of traders who dealt in imported goods. In the prevailing seller's market they were finding themselves, in a particularly weak position ‘vis-à-vis’ the firms.<sup>121</sup>

There were instances of firm’s powerful Europeans merchants’ advances of credit not on merit but on bias ground for people fronting for them. There were traders favoured by the AWAM firms, given special access to short-supply goods and, therefore, able to make black market profits. It was this group of traders and their relationship to the firms that caused, in the long run, much public anger against AWAM. Traders could be favoured for various reasons.

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<sup>118</sup> NAI DCI 1/1/4031/S.17 Vol. I, Ag. Resident, Onitsha, to Secretary, Eastern Province, 1 and 19 September 1941; Lynton Hill, Superintendent of Police, Onitsha, to Resident, Onitsha, 1 September 1941; West African Pilot, 30 August 1941.

<sup>119</sup> NAI DCI 1/1/4031/S.17 Vol. I, Resident, Warri, to Food Controller, Lagos, 18 September 1941 (for Warri); NAI CSO 26/12723 Vol. XVI, Annual Report, Oyo Province, 1941 (for Ibadan); RHO HP Mss. Afr. s.825, 421A(i), Abeokuta District Agent to [Administrative Dept., Liverpool], 2 October 1941.

<sup>120</sup> NAI CSO. 26/12723. Vol. XVI, Annual Report, Oyo Province, 1941. See also Toyin Falola, 'Salt is Gold: The Management of Salt Scarcity in Nigeria during World War Two,' *Canadian Journal of African Studies* 26, 3 (1992), 412-36.

<sup>121</sup> *Ibid.*, Vol. II, Deputy Food Controller (Commissioner of the Colony) to Food Controller, Secretariat, 20 October 1941; Smith, Resident, Ilorin, to Hook, Food Controller (personal), 9 March 1942. A well-known case was the Ibadan trader O. Odudoye (Wawo Stores).

One group consisted of former shop clerks who had been laid off when, within the first 10 months of the war, the AWAM firms had closed down nearly a quarter of their stores due to declining trade volumes. Thus, UAC kept just few of them as credit customers, this act was prevalent in the colonial era. These involuntary newcomers naturally had special business relationships to their former employers.<sup>122</sup>

Another favoured group was the “registered” or “regular” customers who received allocations of short-supply goods on the basis of their past performance with their firm. Apart from the European firms themselves, it was this group of Nigerians and Lebanese traders, favoured as customers with special access to scarce imported goods and finance constituted the winners after the war. They received a fixed retail rebate of 15% from UAC Ibadan. The firm’s wholesale departments generally had between 10 and 50 “registered customers”; occasionally up to 200, but in most cases, just few.<sup>123</sup>

These groups of traders - were the potential black market kings. Though, not all of them seem to have acted as that. However, many were indeed, regarded as long, and well established traders. Firms, and traders favoured by the system, were continuously faced with a large group of aspiring newcomers who were, suspected of looking only for access to “black-marketable” goods. Among the aspiring newcomers, anger emerged against favoured traders, particularly if they were Lebanese. But anger also emerged against the firms with the practice of discriminatory supply of goods. This was particularly obvious in the case of the so-called “conditional sales,” that became a major political issue that led to official inquiry in the 1940s.<sup>124</sup>

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<sup>122</sup>A. Harniet-sievers, P.67

<sup>123</sup> See the evidence by firm managers in NAI CE/A2A/1-9.

<sup>124</sup> NAI CE/A2A/7, Evidence No. 124 .



Like a number of other Commissions of Enquiry established in 1948, the Conditional Sales Commission fulfilled its function as a safety valve. As its recommendations, only helped for the first time, officially legitimized some of the condition and grievances of the disadvantaged Nigerian traders. The Commission welcomed the fact that the European firms should retreat from retail trade. It asked the Lagos government to put pressure on London for a better supply of “essential commodities.” It also recommended that price controls should be restricted to a few important items only; and argued for governmental financial support for the few Nigerian importers especially, the smaller ones. This last recommendation has indeed been the major cause of the growing agitation for national institutions from the nationalism.

### **3.9 Conclusion**

It has been argued that the conditions such as conquest and domination southwestern Nigeria, favoured the introduction and the build of colonial financial economy in the area. In much of this, the need for raw materials and markets for goods from the imperial industries were the obvious. To achieve this, there was the need for the importation and establishment of imperial institutions in Nigeria territories and colonies especially from 1900-1945. First was the series of work done to reform the monetary relations: the importation of imperial currency and banking institutions, then, followed by the policy of Colonial Development and Welfare Scheme shifting attention from self-sufficiency policy and the establishment of marketing boards.

These policies, in addition to war times “boom” and “bust” unavailability of finance, created a restricted and lopsided economic climate that favoured the establishment of indigenous banks in Nigeria. By 1940, precisely on the 20<sup>th</sup> of February, the Colonial Development and Welfare was published. The 1929 Act laid down that the objects for which financial advances, whether by grant or loan, could be made to colonial governments for aiding and developing of

agriculture and industries in the territories. The Act empowered the Secretary of State, with the concert of the Treasury, to make schemes for any purpose likely to promote the development of any colony or the welfare of its people.<sup>125</sup>

While statements of this sort were often common in the imperial policies towards oversea colonies and dominions, the reality, always often, leaves so much doubts and questions. One of such, on the colonial development and welfare scheme, is to ask, development and welfare from and for whose? After identifying the unique role of finance as a driver of development, the colonizers through banks, tactical and technical drought-out capital from the indigenous people and starved them of access to credits and loans with the imperial banks claims of “lack of security” and “un-creditworthiness.”

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<sup>125</sup> British Aid – 5, File copy Colonial Development, published by The Overseas Development Institute Ltd, London, 1964, P. 23.

## CHAPTER FOUR

### THE ESTABLISHMENT AND ADMINISTRATION OF WEMA BANK 1945 – 1962

#### 4.1 Introduction

“No people can be respected or regarded as a nation unless it has its own national institutions, and the greatest of all national institutions is the financial institution in the form of a bank.”<sup>126</sup>

Nations economic development depends to a large extent, on the fluid flow of finances operated and controlled by the banking institution. In fact, in today economies, capital generation and availability do not only determine the healthiness and soundness of the economy can also compromise, the relationship of people and the state. These explained the need and cry for the establishment of national institutions, and the numbers of financial institution by the nationalist from the first failed attempt at the formation of a bank by Duse Mohammed Ali in the 1920s.

This happened in reaction to the often-criticized reluctance of the British-owned colonial banks to advance commercial credit to Nigerian business people. This is in spite, of the fact that around 1930, the number of depositors with Lagos banks alone was estimated at 10,000 to 12,000.<sup>127</sup> As way of overcoming the shortcomings of imperial banks and continue in viable businesses, led to the need for indigenous banks in Nigeria. It was in this situation that Agbonmagbe Bank, one of the earlier indigenous banks was established in 1945.

#### 4.2 The Start of Wema as Agbonmagbe Bank in 1945

Wema which started as Agbonmagbe bank is widely reputed today as the longest surviving and most resilient indigenous bank in Nigeria. Right from its incorporation, the bank has offered range of value-adding banking and financial advisory services to the Nigerian public

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<sup>126</sup> Quoted from NAI RG 59 LC 848 L.516/5, Memorandum “The National Bank of Nigeria,” G.J. Amachree, appendix to Jester to Secretary of State, 19 August 1940. See also, N. Azikiwe *Selected Speeches*, 209

<sup>127</sup> MP 33/7/2, “His Excellency’s Address to a Deputation from the Nigerian National Democratic Party,” 8 February 1930 quoted in A. Harneit-Sievers, “African Business, “Economic Nationalism,” and British Colonial Policy: Southern Nigeria”, 1935-1954 <http://www.jstor.org/stable/3601844>.

and to the government. The bank just like other indigenous banks at the time was founded: to break the expatriate monopoly of banking business in Lagos and throughout southwestern Nigeria. To provide finances for Nigerian business people and further their economic opportunities in the colonial setting. To help the bankable masses especially in Lagos and its environs in southwestern Nigeria to keep their money in bank accounts instead of hiding them under their mattresses,<sup>128</sup> and to promote the development of trade.

The unfriendly practices of the imperial banks to Nigerian merchants and the role of colonial government in the financial “black-market” led to the demand for indigenous institutions. This coupled with the restricted credit and loan to Nigerian importer and exporter created a lopsided opportunities in the colonial economy. These were some of the factors that led to the formation of Agbonmagbe bank.

Agbonmagbe bank was established in 1945. The institution has been in business continuously for many years mainly in Lagos and southwestern Nigeria. It was established in May 2, 1945 in Number 42, Broad Street around Ebute-Meta as a private liability company. It got or acquired a commercial banking license and commenced banking and financial services (receiving deposits and paying payment on behalf of its customers) the same year. It was among the first national banks organized and manned by a Nigerian in the country.

Subscribers to the memorandum of association of Agbonmagbe bank were: Mathew Adekoya Okupe “Agbonmagbe,” Mrs. Regina Adekoya Okupe, his wife and – A. A. Alade. Expectedly, all the shares in the bank were owned by the Okupe’s family until the disinvestment and subsequent change of ownership and name in 1969. This means that until the time of disinvestment of the family and the change of ownership in 1969, the management, and running of the bank was controlled by M.A. Okupe and A. A. Alade.

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<sup>128</sup> [www.wemaonline.com](http://www.wemaonline.com) or [info@wemabank.com](mailto:info@wemabank.com)

One would wonder at the decision for the establishment of an indigenous bank, especially by an individual and the choice of the name “Agbonmagbe.” Many meanings surround the name “Agbonmagbe” which was also one of the names of the founder. “Agbonmagbe” a Yoruba word could be interpreted differently depending on the understanding of the interpreters. For instance, Mr. S. Obasanjo implies that the word could mean “a pond of water forming the source of a spring of something that never runs dry.” “Or a pond that is repeatedly fetched yet springs forth more water.”<sup>129</sup>

According to Mr. Akin Oyedipe: he liken the word “Agbonmagbe” to the natural spring of water that is pull from the area of higher gravity to area of lower gravity.<sup>130</sup> This implies the continuous flow of something from area of high concentration to lower concentration done repeatedly. The significance of the name may not be understood until we look at the fact that among other banks with later government support, only Wema survived up to the present.

In any case, the word “Agbonmagbe” in terms of finance means enormous wealth, riches in source, or the abundance either in knowledge or in wealth. But in term of wealth, it could be taken to be “strikingly rich”. It is interesting to note that the bank got its name from the nickname of Mathew Adekoya (M. A.) Okupe “Agbonmagbe.” It is indeed, a combination of forth sight and instinct for financial independence drove and motivated the formation of a financial institution at the time. The bank did face stiff competition from other banks amidst a rigid colonial regulatory environment at its formative years. Yet it survived and transformed as Wema bank.

Different reasons accounted for the establishment of banking institution in Lagos, by large, southwestern Nigeria area. First is to promote the personal business of the family and see

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<sup>129</sup> Mr. Stephen Oke Obasanjo, A Businessman, Age 60+, Interviewed 01 Nov; 2012, Zaria. Mr. Obasanjo from Okuku in Osun state presently lives in Zaria.

<sup>130</sup> Mr. A., Oyedipe, Oral Interview, Trader, Age 76+, Oshodi, Date 14 Nov; 2013

that every Nigerian who was likely to benefit from loans, advances, and overdrafts in any way be encouraged by the bank. To help small as well as large businesses to hold their own in the commercial fields; to help Nigerians merchants to grow their industries and their own properties. To operate and help in such a way which will give Nigerians confidence to enter both the commercial and the industrial fields.

Secondly, the choice of Broad street area of Lagos, apart from been at the shores of three island known as Ebuta Metta, was also home to Brazilian slave returnees who were accustomed to banking practices. The combinations of a growing market and experience of working with an institution known as bank, have favoured the Broad Street as a choice of location for the establishment of the bank in Nigeria.

Thirdly, the significance of 1945 in the history of southwestern region and Nigeria in general, cannot be over-emphasized. While at the international stage, it did mark, not just the end of the Second World War, but the end to the dominance of British pound sterling and the emergence of American dollar in world affairs. At the other end, the bank served as one of the protest institutions against British domination and control especially at the colony. The establishment of the bank, indeed, led to reorganization in the loosened pound sterling sphere of influence, making all what was generally referred to as the decolonization and its ensuing politics inevitable.

The politics of decolonization has helped to loosen the grips of the imperial nations especially the British and their institutions in the control and domination of the colonial territories. The weaken position of imperial institutions especially the financial institutions, had double effects of opportunities and deprivation. It was from the deprivation in access to credit, and loans, that created the opportunities for the formation of national banks.

The opportunities and deprivations of the period took their form in the economic and political agitations in the nation. The nationalist struggle though, was more for political reform, but with more economic undertone. In this sense, it means that colonialism began to lose its power and thus, re-strategizing for the uncertain future. It is from this condition of reforms, that the Agbonmagbe Bank emerged in 1945. But this was not the only case in southwestern Nigeria.

The changes in the culture of credit advancing system and individual uses of money in daily transactions over the century, also accounted for the formation of the bank. The deprivation in the opportunities of making and using more money, and need to open channels for business growth were some of the reasons for individual's desire to form a bank.

Even more pressing need for the establishment of banking institution in Nigeria at time, is the fact that in the pre-colonial era, the socio-economy of the Yoruba has involved the use of, and respect to rich people with much money. Therefore, it is no surprise that the Southwestern and the Yoruba in particular were the first in the banking business in the Nigeria area. Hence, the drive and instinct from an individual to form and owe a bank become prevalent in the war period.

Money in the 19<sup>th</sup> century has not only reflected changes in politics, but also in the economic life and power; again, in the pattern and organization of trade, in religious, and other cultural beliefs. The changes were apparent in family and neighbourhood relationship with one another. Finance, in the pre-colonial time in the Western region has not only reflected these changes, it has also helped to bring about further changes of roles and status in the society. The drive to earn and spend money for different purposes among the societies in the area led to the formation of an institution for managing their money and other financial activities over time. And one of such financial institutions is a bank.

A banking institution became the fertile ground for the growth and development of finance related issues. Hence, whoever, whether as group or individual who owns or is a signatory to the memorandum of association of a banking institution play some roles in the management of the nation's wealth and resources of the society. And in many ways, such individual or group influence to some extent, the state of healthiness or weakness of the economy of their society.

In this regards, credit one of the banking instrument has been identified to play vital role in the economy. While it facilitates not only production, but also help to accelerates all round economic development. And this is why; credit and the bank are seen as the fuel of commerce and ultimately, the goalpost to any nation's development.<sup>131</sup>

This explains the desire and the urgency to establish and own a financial institution most especially a bank by the Nigerian merchants during the period, to overcome colonial economic deprivations. Consequently, from the period 1900- 1945, there were several attempt to establish about four banking institutions, two out of the three banks that emerged within this period failed, the other by Duse Mohammed Ali in 1920 failed before its take-off.<sup>132</sup>

Apart from this, the bank business is a fecundating and highly profitable trade. In addition to the liberation of credit to facilitate business and economic development of the

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<sup>131</sup> A. B. Sani, *Trade Diplomacy, Banking and Finance in the Trans-Sahara Trade: An Interpretation of Ahmed Abu al-Ghaith's ledger, a trade consul in Katsina, 1824 – 1870*, Pyla-mak publisher, Kaduna, 2012, P. 140.

<sup>132</sup> For the National Bank of Nigeria generally see G.O. Olusanya, *Fifty Years of National Bank of Nigeria Limited. A Golden Jubilee Souvenir*, Lagos, 1983. The founders of National Bank of Nigeria were: Maja was a medical doctor with a long-standing interest in business affairs, Subair (A Nephew of the famous automobile merchant W.A. Dawodu, see MacMillan, Red Book, 101-102) was a professional accountant who had worked with a number of European and African trading firms; the other NBN-founders were merchants and elite of the southwestern region of Nigerian at the time. They believed and following the writings and activities of Duse Ali Mohammed of Egyptian on the importance of Pan -African institution in Lagos for the promotion of African development. This pan- Africanist movement for the liberation of African society was jettison and latter replaced with Nationalist interest in the establishment of national institutions especially a bank. It was from this background that led to the formation of the National Bank of Nigeria as the first indigenous bank in Nigeria and ultimately, Agbonmagbe Bank as the first one man bank, the second indigenous bank in Nigeria.



society, the owner, or operators of financial institutions especially the bank, also get to make more money.

#### **4.3 The Place of Family Property in the Bank**

The short period of boom and boon before and after the Second World War was a period of opportunities for emergence of ‘nouveau riches’ merchants in Nigeria. The combination of education, shrewdness, with some royal connection and hard work, opened the vista for the Okupe family to the accumulation of wealth and property during the colonial era. Being an aristocratic class that is, privileged with political authority enabled the family in the acquisition of land, a major means of production. This was much like the pre-colonial era, when hard work, bravery and political elitist connection, were the basic requirements for admission to the class of the ‘*nouveau riches*’ privileged for the accumulation of wealth.

The family concentration of vast land meant the participation in the production and trade in cash crops such as cocoa and palm oil. The production of cash crops meant also, the participation in the cash-economy. Cocoa and palm oil production the most attractive cash crops at the time among the Yoruba were known as *igi-owo*.<sup>133</sup> The possession of expanse of land for the cultivation of *igi-owo*, and the participation in trade of this cash-crop were some of the factors that enabled the Okupe to build-up large capital in the business.

The practice of indigenous financial institutions such as *esusu*, *susu*, or *uso* were not organized and own on a personal basis. The process of their formation and working involve number of people coming together with the mutual consent of “self-help” to organize them as

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<sup>133</sup> The Yoruba word *Igi-ow o* simply means a money producing tree. Since much money was made from the farming and trading of cocoa and palm oil earned the producer the name money tree. Cocoa and palm oil were the most attractive among the Yoruba, but there were other such as kola-nut, rubber, coffee, tobacco, groundnut, and cotton cultivated in limited quantities. Therefore, any family or individual who cultivated, especially in the trading of the produces as middle-people between the farmers and European firms would have accumulated money for other economic venture in life. Since, the word Agbonmagbe means endless wealth, the plausible explanation to the meaning of the name could be that the family partook in the combination of both leasing of land for the production, and the trading of the crops as the source of wealth for the other businesses.

credit mobilizing institution based on a rotational arrangement. Unlike, the case of conventional bank (*ile ifowopamo*) in which an individual with some level of capital could set up a building in a particular location with a name as bank. This practice of individual ownership of building called a bank was quite new in southwestern region of Nigeria. Also, the fact that the money saved in this building would not be within reach of the depositor till certain date was also new.

In the colonial era, certain individual with colonial education, shrewdness, zeal and some amount of capital could organized and form a bank. This was the case with the Okupe family in 1945 with family building, and some capital founded the Agbonmagbe bank. Apart from the statement that no people or nation can be respected unless it has its own national institution like the bank, personal standing with some political privilege in the society could be one of the reasons for the formation of Agbonmagbe (Wema) bank.

In the recent past, Wema bank limited has achieved major advances in the provision of credit facilities, contributing the innovation of branch network expansion and quality service delivery. Today, it operates an ultra-modern innovative information technology structure with an integrated computerized banking system based on world class banking practices in the world.<sup>134</sup> This would not have been possible today without some financial sacrifice from the Okupe's family. The profit from trade especially with Europeans formed the basis for the financial success of the family.<sup>135</sup>

The Okupe families come from Ijebu Iperu in present Ogun state of Nigeria. There is no doubt, that royal connection with some level of education and in addition to being close to the coastal region of southwestern region in the colonial era had made the family part of aristocratic

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<sup>134</sup> Wema bank Annual Report 2011 P.4

<sup>135</sup> Op'cit, Mr. Idowu Ogedegbe

and elite class. Being privileged as part of the *nouveau riches* in the pre-colonial time meant an opportunity for the accumulation of more wealth and riches in the society.<sup>136</sup>

It is true that the Nigeria is the only British West African colony to form indigenous banks in the pattern of the imperial nation in the colonial era.<sup>137</sup> This is so, because banking the act of pooling together; of wealth and resources practiced in southwestern region has a long history in the area. While the practice grew out of the activities of goldsmith family in Europe, in southwestern Nigeria it was the need for assistance, and demand for huge capital in business. The act of risks management among the people of southwestern Nigeria goes beyond colonial domination and introduction of colonial bank in the region. Its genesis can be located in the development of several pre-colonial saving institutions: *ajo*, *esusu*, *iwofa* and money lending a common practices among the people in the region.

These practices through reforms and innovations had undergone some changes in line with the conventional banking. The reformed *ajo*, *atigal* and *esusu* were, however, inadequate to cope with the demands for capital for big projects such as building and trade. They were too slow to cater for city-dwellers who needed immediate cash to settle domestic problems or to invest in quick, risky ventures. Their operations were also limited in space. The operators of this kind of “pool” system had to be well known to his clients while those who still organized *esusu* had to have pre-existing ties.

More efficient new institutions were emerging: co-operative societies, modern banking and hire purchase. Most of these alien practices were introduced gradually to the different parts of the country. All eventually became successful, and acquired distinct characters of their own

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<sup>136</sup> Mr. M. O. Odunsanya, Retired Civil Servant, 78+ Epe, 13 November 2013

<sup>137</sup> In Gold Coast (Ghana) Companies Act of 1906 prevented the establishment of any local company to carry out any form of Banking. See C. Uche, “Indigenous Banks in Colonial Nigeria”, *International Journal of African Historical Studies*, Vol. 43, No. 3, 2010, P.1

except for co-operative societies introduced after the 1940s. However, the new institutions including the imperial banks were not accessible to most members of society.

They were urban-based, and were primarily established for new elite which had the education to understand their operations. Only few people with regular source of income and secure jobs in the region could benefit from these new institutions. Most of the new banks even engaged in discrimination against the lower ranks of the civil servants and indigenous small-scale entrepreneurs.

Merchants who lacked the credentials to benefit from the modern institutions or who suffered discrimination from them had to seek alternative ways to raise money. The elite and wage-earners among them could not fall back on the ancient financial institutions of *esusu* and *ajo* which at the time could no longer meet the huge amount of finances needed for business. Therefore, indigenous system had to adapt and reformed to meet new demands in form of conventional banks.

Three major distinct stages can be identified in the development of banks, combining both indigenous and modern practices. The first was the roles of few individuals and merchants (such the Okupe, Maja, Subair)<sup>138</sup> via their operation as merchants, business people, keeper of valuable, and money related items on behalf of their clients and customers were the example of the *alajo* mentioned above.

The second was the emergence of a class of traders who became involve as middle-people in the advance credit system between the European traders and African peasant in trade activities. The third was the *sogundogoji*<sup>139</sup>, a class of money-lenders who organized their

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<sup>138</sup> Mr. Okuboyejo Oluneye, Former Executive Director of Administration, Wema Bank interviewed, 13<sup>th</sup> October, 2013, Age 80+

<sup>139</sup> The word literary means “convert twenty to forty” double of something. Mrs. Bola Mojiba Age 80.interviewed on 01/11/13, Ibadan

lending as professional businesses with a great deal of calculated care as a profit oriented occupation. This is no coincident that most of the people in the banking business in Nigeria were those merchants who traded with the Europeans especially in cocoa and palm products. There is no doubt that some of these indigenous merchants either in responses to difficulties in accessing funds for expansion, used their vantage position they had enjoyed in the colonial credit – system combined as push for the formation of indigenous commercial banks in Southwestern Nigeria.

Partly connected to this, is the fact that more of the Nigerian merchants at the time were engaged in different number of occupations. With some level of western education, they had functioned as clerks to Europeans firms, middle-people in the trade between Europe and Nigerians. The Okupe's family business line also extent to building and estate development in the colonial era.<sup>140</sup>

Just as the start and development of most imperial banks as a family property, when Wema bank started, it was both in form and in fact, a family property with Matthew Adekoya Okupe a merchant, estate developer, an industrialist and a banker owning more than all the share capital at it formation. Like other Ijebu who had dominated the colonial trade around the Lagos estuary and the coastal regions, he was very tact in money related management. Such that he was the first Nigerian in his time to start a private limited company as a bank in his nick name "Agbonmagbe."

Little wonder, that throughout the Regional government in the colonial era up to the military takeover in Nigerian, M. A. Okupe personalized and symbolized the bank in all it binding, workings and in the relations between the bank and the Western Regional

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<sup>140</sup> Mr. Okuboyejo, O. Former Executive Director of Administration, Wema Bank PIC, Lagos, Interview 13<sup>th</sup> October, Age 80+

Government.<sup>141</sup> His bank was one of the national and economic institutions that signposted the developmental activities of the Western Regional Government.

Again, like the most banks in the world, Agbonmagbe Bank passed from being a private bank to government then as a public limited liability. An attestation to his broad knowledge and shrewdness with finances led to more wealth and expansion of personal property. In addition his real estate properties in Maryland and personal connection to the government of the region, was essential in the establishment, administration and the survival of the bank up to 1962. Whatever the reasons for the establishment of the bank, whether for societal development or pursuit of personal fulfillment, the bank did survive the era termed as the “mushroom banking” and the colonial banking ordinance due to his connection with the government.

#### **4.4 The Colonial Reaction to the Activities of Wema Bank in Southwestern Nigeria**

Imperial reaction to the war-time downturn in economic fortune was in different forms. The 1940 Colonial Welfare and Development scheme was a response to the shortage of credit, but for the expansion of the British traders and the imperial merchants only. Just like the general bias and prejudice towards the coloured people in the economy, Agbonmagbe Bank, one of the indigenous institutions also suffered serious bias and discriminatory lending from the scheme. And more so, from the WACB which functioned as the regulatory body finance at the time.

Since expatriate with the access to imperial bank loans, dominated several sectors of the economy, it also means that both indigenous merchants and the banks too had limited influence in the economy activities of the area. It therefore means that most of the emerging indigenous banks like Agbonmagbe Bank which depended on the interest charged, and commission earned on credit advancement in addition to the rents payable for storage space it provided to the

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<sup>141</sup> Ibid

traders in exchange of foodstuffs, kola nuts and other produce,<sup>142</sup> with traders, was basically small and had to struggle for survival. By the late nineteenth century, it became clear that monopolies of the imperial banks stifled trade expansion, and the British government supported this since it was always in their political and economic interest to do so.<sup>143</sup>

With such an attitude, it was therefore not surprising that the colonial government did not see any need in regulating banking monopolies in Nigeria. The result was that the collusive practices of the two main foreign banks in Nigeria – BBWA and Barclays (DCO)-remained unchecked for most of the colonial period. This means that the type of relation that existed between the colonial government and the foreign banks was cooperating to undermine the development of the national banks.

Therefore, the reaction to Agbonmagbe Bank, just like other emerging indigenous banks, was their dismissal as “mush-room” enterprises. First, due to their set up capital which is relatively small compared to long standing relationship between the colonial state and the imperial banks which had made so much profit from (seigniorage) the importation of imperial currency to West African colonies. Second, was the monopolistic stand of the imperial banks especially in relation to the nature of colonial economy, which was import and export oriented economy with several restriction policies. What this means, in all essence, is limiting the influence and the capacity of the bank the merchants and that formed it customers.

External trade especially imports and exports formed the rubric of colonial commercial capitalism which now comes to rest to a large extent on finance, it means that African banks and merchant who had little capital suffered some forms of serious regulation in form of

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<sup>142</sup> See O.D. Chukwu, “Economic Impact of Pioneer Indigenous Banks in Colonial Nigeria,” 1920 -1960” *Journal of Historical Society of Nigeria*, Vol. 19, (2010), pp. 93 – 109.

<sup>143</sup> See G. Austin and C. Uche, “Collision and Competition in Colonial Economies: Banking in British West Africa, 1916 – 1960,” *Business Economy Review*, 81, (2007) 1 – 26.

“restrictions” in the pattern and growth of the business activities.<sup>144</sup> There were some evidences on the “restrictions order” on the importation of essential goods by Nigerian merchant by the imperial due to small capital of the customers and their banks.

The placement of restrictions therefore meant cutting-off a substantial source of income earnings of the bank. And this kind of restrictions meant that not only the bank was limited, but also a lot of merchants, the bulk of people dealing with the banking institutions were denied the chances of accumulating more capital. One reaction to the trend was the argument that imperial banks which had no difficulties in collecting African deposit, but do have problems in lending to Africans or indigenous banks due to the lack of creditworthiness.

To understand colonial reaction to indigenous bank especially Agbonmagbe Bank, is to examine the use of restrictive measures especially in the aspect of import and export trade to limit finances of the bank.<sup>145</sup> For the economy and the major source of finance and capital to the bank was in the participation in export trade at the time. The directors of some of the national banks just as the Agbonmagbe Bank were accused of fraudulent practice especially with regards to goods sent by companies abroad to be surrendered against the payment of bills for collection. These goods were sometimes cleared and surrendered or otherwise disposed of, counter to the instructions of the contracting parties and without proper remittances being made. This accusation was not uncommon from the colonial government against indigenous banks directors engaged in trading and banking activities.

Nigerians were never being trusted as having potential managerial skill, either were their banking institutions. Thus the collusive move by the colonial government and the imperial banks

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<sup>144</sup> NAI/ DCI/T. B./2734/83 file 83, Restriction on the Import of Industrial Machine

<sup>145</sup> The section (2) of the Banking Ordinance required all banks to be licensed by the Financial Secretary in order to carry on banking business in Nigeria Colony. This meant the financial secretary could stop or denied as it did against the establishment of a central bank to help weather the stability of the indigenous banks. See also C, Eddy, *First Bank of Nigeria: A Century of Banking*, Ibadan, spectrum Books, 1994, P.37.



to the credit starved the national banks. When efforts were made to setup their own institutions, many of the directors were cajoled and apparently told that some level of foreign training as a requisite for success in banking business was required.<sup>146</sup> Therefore, patronages and the development of indigenous banking institution had to be checked at all cost. This, plus the crashes that followed the boom period (1945 – 1950) of indigenous bank formation, led to the enactment of an ordinance known as the 1952 banking ordinance.

#### **4.5 The Wema Bank and the 1952 Paton Banking Ordinance Policy**

The earliest attempt to regulate the business of banking in what was then the Colony and Protectorate of Nigeria was made in May, 1952, when the first Banking Ordinance was passed. Some criticisms have since been leveled at the successive colonial governments for not attacking this problem earlier. By then the gullible public had been induced to deposit money in a number of indigenous banks of questionable reliability.

Bad debt, inconsistent banking practices and lack of adequate capital base were the signpost; for the introduction of the 1952 Banking Ordinance in Nigeria. The introduction of the Ordinance represents the desire and urge of colonial government to stamp its authority and sanction financial dealings especially among the indigenous banks. It is worthy of note that at the time of the Ordinance, banking transaction in Nigeria was dominated (after the collapse of the Colonial Bank in 1919), mainly by the two British banks, Barclays Bank (Dominion, Colonial and Overseas) and the Bank of British West Africa.<sup>147</sup> This was done, to further promote their business venture following the experience of adequate capital base for the indigenous banks in the deprived colonial commercial – capitalist economy.

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<sup>146</sup>See for example, International Bank for Reconstruction and Development, *The Economic Development of Nigeria* (Baltimore: John Hopkins Press, 1955), 157

<sup>147</sup> Daily Times (September 30, 1961), p. 11.

The 1952 banking ordinance stipulated that for any company to function as a bank, it must have the authorized paid up capital of £25,000. This paid up shall be interpreted as meaning the money which any bank planning to establish or already doing business in Nigeria must deposit with the central government. However, the two British banks with large capital and had monopolized banking business did not have problems with this. The real problem was with the indigenous banks especially Agbonmagbe Bank the first private bank with only £12, 500 then. Such that by the start of the ordinance on the 22 of May 1952, the bank could maintain small capital of £13, 410 as it's paid up capital, £5,000 as the reserved capital, with £19,565 as its total cash deposited, £6,393 advances to customers.

For much of the international engagement with Africa the colonial era was primarily informed by economic interest. Nigerian's major global contribution was believed to be its raw materials and agricultural produces. No serious attempt made for the development institutions for economic transformation. In 1948 the colonial government, worried about the indigenous banking structures, practices and concerned by the rate of performance of financial institutions, appointed Mr. G.D. Paton, an official of the Bank of England to "enquire into the business of banking in Nigeria, and make recommendations to the Government on the form and extent of control which should be needed."<sup>148</sup>

Mr. Paton submitted his report in October 1948. This culminated in the 1952 Nigerian Banking Ordinance. Whatever motives led to the Paton's enquiry and the subsequent banking ordinance of 1952, the ordinance had to some extent, strengthened the reposition of

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<sup>148</sup> NAI CSO 26/2 File No. 10305 Vol.iii Report on Banks and Banking in Nigeria by Mr. G. D. Paton Acting Colonial Secretary enquiry on Banks and Banking

Agbonmagbe bank and perhaps, one of the reasons for seeking government support for its survival latter.

The 1952 Banking Ordinance – the provisions of the Bank Ordinance enacted in 1952 are as follows: No banking business could be transacted except by a company holding a license granted by the Financial Secretary to the Federal Government.

2. That a minimum paid-up capital of £25, 500 for a, company incorporated in Nigeria, £100, 000 for companies incorporated outside Nigeria
3. The applicant companies must have liquid resources higher than their liabilities.
4. No unauthorized company shall use the word “bank” or any of its derivations.
5. The existing banking concerns were allowed to continue their business until granted license or notified that a license would not be granted by the Financial Secretary.<sup>149</sup>

In the report, it was stated that government has the power to refuse a license without assigning a reason. Paragraph (d) says much about the machination of colonial government:

*Every banking company incorporated in Nigeria and operating solely shall maintain a reserve funds, and shall, out of the net profit of each year and before any dividend is declared, transfer a sum equivalent to not less than twenty percent. Of such profits to the reserve funds until the amount of the said capital is equal to the pay-up capital.*<sup>150</sup>

Though, Wema bank incorporated as one man business – means it never published its account books, but with the banking ordinance of 1952 it was required to do so. Its memorandum of association shows the followings. That the bank had a nominal share capital of £5,000 (1,000

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<sup>149</sup> NAI CSO 26/2 File No. 10305 Vol.iii Report on Banks and Banking in Nigeria by Mr. G. D. Paton Acting Colonial Secretary enquiry on Banks and Banking

<sup>150</sup> Ibid, P.340

shares of £5 each), it paid up share capital was equal to £4,330, and the following individuals as the board of directors M. A. Okupe, Mrs. R. A. Okupe and L. A. Onajobi. The bank's principal shareholders as M. A. Okupe with 755 shares more than 80 percent as the chairman while the other 20 percent, was shared between Mrs. Regina and Onajobi.

An indication that these individuals have to wait for three years before it can meet up with the twenty percent reserve with colonial government before it can start declaring any dividends for its shareholders. What this meant is that M.A. Okupe, who was not just the owners but the pillar of the bank on whose shoulder, laid the responsibility of administering, and the management of the finances and other activities of the bank was restricted and checked by the laws from the reinvestment of profits into other chains of businesses.

This shows that colonial-state, was not only the gatekeeper of the nation's economy, but whether directly or indirectly the regulator of financial credit. They facilitated overseas companies engagement with sellers and producers, between European traders and indigenous farmers in one hand, and in the other, between indigenous merchants and the farmers. What this means is that whatever the efforts of the merchants and bank-owners at the organization and working of the banks, they still have to depend on the colonial state. The fact that colonial economies were rooted in exploitation of exportable good, with no internal infrastructures designed for transformation purposes, rendered the continent deeply vulnerable to the vagaries of the global economy thus, the need for a marketing board's support.

This policy included control of bank credit growth, credit distribution by sector; cash reserve requirements for commercial banks, discount rates, interest rates which the West African Currency Board charge commercial banks, on the ratio of banks' long-term assets to deposits.

The Ordinance empowering the Currency Board to restrict credit and monetary expansion affected total demand and income availability. It was based on this, that the agitation for Central Bank to take over the role of the West African Currency board was first made.

The effect of the Paton commission findings on the Wema bank and other banks was that the banks needed technical training of their staff, that the banks had not been publishing their annual account statement. Since Agbonmagbe was a private limited company that the banks should make public its capital base, profit margin, share values to the general public. The result was the declaration of the share holders, the profit, and value of the shares by the 1952 financial year ending. And when the issue of giving out unsecured credit which had formed major source of profit-margin to the bank on any credit advances was blocked, the bank became troubled.

#### **4.6 The Relationship Between Wema Bank and other Joint-stock Bank**

Accessibility to finance and creditworthiness do not worry the large and well established companies. Big companies can rely on internally generated funds for most of their needs. Generally, smaller firms find finance for expansion not only harder to access but also comparatively dearer than the larger companies since the latter are generally considered being less risky.

The financing of business enterprise, essential in facilitating economic activities was often not the case between the imperial and indigenous companies in colonial Nigeria. Borrowing, especially interbank lending, a common practice among business enterprises, was difficult or completely lacking between indigenous banks and the joint stock companies. The situation in Nigeria before independence was a restricted form of relationship often leading to

legal cases. An example of this was the conception case relationship between Agbonmagbe Bank and C.F.A.O and the British Bank of West Africa.

The imperial banks were not only accused of their unwilling to support the indigenous people but also the companies. Nigerians felt that they had to open their own banks in order to obtain adequate credit because they believed that the expatriate banks discriminated against Nigerians. In this case, Agbonmagbe Bank Ltd was charged £9,865 4: 4d on tort for negligence in spite of the fact that the bank had no privities of contract with the CFAO.

Mrs. Esther Abiola Amushan a customer of the C.F.A.O company gave the company a number of cheques on the Agbonmagbe Bank's Branch at Shagamu between the 7th August 1957 and the 5th October, 1957 amounting to £10,197 8: 4d; the company handed the cheques to the Bank of West Africa Ltd. for collection, and this Bank sent them to the headquarters of the Agbonmagbe Bank at Ebute Metta, which returned the cheques dishonoured on the 10th October, 1957 in a bunch. The C.F.A.O. wrote to the Agbonmagbe Bank headquarters to complain that the delay of their Shagamu Branch in returning the cheques caused them loss for which the company held the Bank responsible, but received no reply. The C.F.A.O. sued Mrs. Amushan and obtained judgment against her for what she owed the company £13,829 10: 10d, which included the amount of the cheques.<sup>151</sup> The company managed to collect £250 from her and could collect no more; so they sued the Agbonmagbe Bank for the amount of the cheques in question.

In spite of the fact that C.F.A.O. manager agreed in cross-examination that the Agbonmagbe Bank were not his company's bankers; but there was no cross-examination on the company's assumption that as the cheques were not returned within a reasonable time they must

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<sup>151</sup> The interbank and bank clearance of cheques normally take 30 working days and at time more before its clearance before the banking reform of 1962.

have been paid. That there was undue delay on the part of the Agbonmagbe Bank was proved by a manager of the Bank of West Africa who testified on bank practice; he was not cross-examined thus basing the matter on the matter of tort and not on contract since Agbonmagbe Bank had no direct contract with the company.

The learned trial Judge was of opinion that cheques sent from Lagos to Shagamu should, if not paid, have been returned within a week, and in his opinion the Agbonmagbe Bank had failed to fulfill its duty of returning them in the ordinary course of business to the Bank of West Africa within a reasonable time with an intimation that they would not be paid. The learned Judge recognized that there was no privity of contract between the C.F.A.O. and the Agbonmagbe Bank. .<sup>152</sup>

The Bank of West Africa was not charged for negligence despite its contract with the company and Agbonmagbe Bank. Thus, the objections to the judgment on two ground counts:

(1) That the judgment against Mrs. Amushan was a bar to a suit against the Bank; that is an affair in which the bank had no direct connect to.

(2) That the Bank had no duty of care to the C.F.A.O. but to Mrs. Amushan which was contracted to the British Bank of West Africa.

The court is not concerned that the judgment was wrong in the first respect, having regard to the fact that the claim against Mrs. Amushan was based on contract but that on the Bank was based on tort. There were two separate causes of action against two distinct persons, and the judgment against Mrs. Amushan did not extinguish the right of the C.F.A.O. to sue the Bank, even though it was in respect of the same cheques. Knowing truly well that a banker is ordinarily not liable to the payee of a cheque for non-payment of the cheque: a cheque is not an assignment of debt in

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<sup>152</sup> See Larry O. Agbonmagbe Bank Limited v. C. F. A. O. Limited, Supreme Court of Nigeria, *Nigerian Law: the Lawyer's Digital Library*, 5www.jsor.org

English law. What was important to the court was that the C.F.A.O. should not recover the money on those cheques twice. They tried to recover it from Mrs. Amushan and only sued the Bank when they could not recover it. The court sought to support his argument by referring to English law on the case of *Schroeder v. Central Bank of London, Ltd.*

#### **4.7 Changes in the Operation of Banking System in Nigeria up to 1962**

Following the introduction of the 1952 Banking Ordinance, investors, and merchants were worried that the stifling combination of tougher regulatory scrutiny at a time weakens economic activities. And the growing uncertainties would raise the threat that any new law would eventually bring in. On the aspect of loan demand side, there have been several major waves of debt restricting in the lower loan rate environment. As the current decades began both debt for London relative economic recovery in the 1950s led to the increasing confident that they could continue to influence and control former colonies without direct political administration in a sense, this meant the reversion to nineteenth century forms of engagements.

Credit availability and credit information can fuel economic growth, increase consumer access to essential resources and enable more efficient management of risk, costs and financial reserves. The reason for this is simple: where access to credit is asymmetrical or unavailable, the routine to business expansion and access to industrial resources becomes more difficult, expensive and inefficient.<sup>153</sup> In contrast, the availability of credit information and the free flow of well managed financial resources, in addition to well managed (financial) institutions are the cornerstones of a modern, successful market economy.

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<sup>153</sup> M. Pagano, & P. Jappelli, "Information Sharing in Credit Markets," *Journal of Finance*, Vol XLVIII, No. 5, December 1993.



Credit availability and credit window enable not only consumers and private companies to freely transact with each other because the more objective information the business has, the more accurately it can meet consumer needs and preferences. As a result of credit information and availability, lenders can make faster, more objective decisions. This informs the reason for the rush to establish and own a bank an institution that facilitates credit for economic development in southwestern merchants in Nigeria in the period generally termed or regarded as 'bank-rush' for openings to credit window.

Therefore, between 1947 and 1952, a total of eighteen indigenous banks were registered and commenced operation in Nigeria. However, a figure as high as 185 was quoted to have indicated interest to run as a bank. Out of this numbers, 145 were said to be registered in the year 1947 only, and 40 in 1952 before the ordinance in the month of September. Most of the companies merely registered without actually commencing operation.<sup>154</sup> Part of the recommendation of Paton's commission that formed main part of the 1952 Ordinance includes:

- 1 Banks registration and licensing should be undertaken only by the financial secretary before any business could function as a bank.
- 2 Banks must abstain from granting loans and advances in excess on the security of its own shares and granting of insured loans and advances in the excess of £300 to any one or more of its directors or to a business in which one or any of it directors have interest;
- 3 Before any company can functioned as a bank, it most maintains adequate cash reserved.

The resulting effect of the 1952 banking ordinance in Nigeria was that it restricted most of the pioneering bank. As we have tried to argued somewhere in the work, the political arrangement in

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<sup>154</sup> Op'cit D. O. Nigeria Daily, P.23

1954 led to the establishment of regional marketing boards. The bank found regional government revenues indispensable for operation and survival. A great and enduring relationship emerged by which the bank became an instrument of financial transfer from taxpayers to the political leadership elite.

#### **4.8 Conclusion**

The decade of 1940 – 1950 was one for the reinvention struggle and agitation for some level of participation in the management of economic affairs of the colony. It was not surprising therefore that Agbonmagbe Bank was established in the period as part of the result of the struggle and agitation, as protest institution against the restrictive and lopsided economic in the colony. It was established to mobilize finances for the people in Lagos and the southwestern region. The urgent need for “credit” for business and industrial development had led to the founder to raise the capital base to meet and overcome the challenge and reforms at the period.

The immediate aim thereby assigned to finance in any business in the region is simply that of maintaining at all times an adequate cash balance (in money or bank credit) in the economy. But the means employed include all the multifarious methods of borrowing money and of exchanging one sort of pecuniary right against another.”<sup>155</sup>

The concept of finance is concern with the set of administrative functions that has to do with the management of flow of cash.<sup>156</sup> A major part of economic development has to do with the management of financial instruments and the institutions through which a society can manage raise its needed funds. Financial control in form of laws regulating or checking the

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<sup>155</sup> *Encyclopedia Britannica*, Macmillan Co.: New York, Vol. 9, (1946), pp. 240-241.

<sup>156</sup> B. B. Howard et al. *Introduction to Business Finance*, McGraw Hill Book Company. Inc. New York, (1953). p.

activities banking institution operations in Nigeria came with the Paton commission of 1948. The first banking ordinance was indeed, the first real test for the survival of Agbonmagbe Bank. The bank sought government support to increase cash flow; its reserve and its recapitalization to meet the challenges of the period. In the case of Agbonmagbe bank, the Ordinance in spite of its machination helped the bank in a manner compatible with aim of ensuring the financial healthiness of the society.

Such control is especially necessary for two reasons. One is the human tendency to be swayed from original plans by day-to-day events and the other is the constant ups and downs of changing business conditions that require continuing modification of one's plans. From the onset, there was no attempt to regulate banking in Nigeria. But the rush to the establishment of indigenous banks in southwestern to protest against foreign banks operating in the country and the interest of colonial government, were some of the reason the banking ordinance of 1952. It was not their aim to service the indigenous people.

It is on this discriminating premise, that led to the rush in the emergence of indigenous banks in there large number. There were no doubts, that most of the indigenous banks were poorly staffed, poorly capitalized and sometime infested with fraud. It was the speedy and ease with which banks were formed and the challenges they pose to the government that led to an investigation into banking activities.

The appointment of Mr. Paton commission in 1948 was more of the cause than the consequences of indigenous banking failure. This is because many of national banks if not all, have to engage sharp practices in order to meet the new requirement for a banking business by the law. And, most of the indigenous banks seemed to have started after the commission.

The report discussed among the following; banks capitalization, minimum of share capital of £25,500. Existing bank without this amount of capital, were given three years to meet the requirement, within two years of the law, 18 banks failed within 1953 – 54 alone.<sup>157</sup> That there was little or no integration between the foreign banks and the indigenous banks was a fact that helped to separate and restricted the banking practices of the indigenous banks in the country. One can argue that this was a design by the colonial government which gladly allows the indigenous banks to perish.

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<sup>157</sup> T. I. Ogowewo and C. Uche, “(Mis) Using Bank Share Capital as a Regulatory Tool to Force Bank Consolidations in Nigeria” *Journal of African Law*, Vol. 50, No. 2 (2006), pp. 161-186

## CHAPTER FIVE

### THE ROLE OF AGBONMAGBE BANK IN THE ECONOMY OF SOUTHWESTERN NIGERIA

#### 5.1 Introduction

The gap between the income receipts and expenditure in the economy is often balanced by the use of credit. Borrowing and loans all relate to terms of credit facility. And the operation of credit system in the economy helps to bridge the gap between the expenditure requirements and income receipts in the production of goods and services in any economy. One mechanism of development anywhere in the world today, is the use of credit. The terms of repayment, the cost of credit, the security demanded for it – all the terms and conditions of credit would determine the availability of credit.

By a way of definition, credit is the practice of obtaining desired resources at a point of need with an obligation to repay the same during a subsequent time in accordance to the terms and conditions of the credit. This attempted definition would help to explain the relationship between Agbonmagbe Bank and the Western Regional Marketing Board on one hand, and the political leaders and the elite on the other.

In any monetary institution, there are conditions attached to dealings in credit and the clients. And these, were not different with the operation of Agbonmagbe Bank. These conditions are often based on the following: first an intimate knowledge of the borrower by the lender, second, complete security to the lender as regards the title of the credit offered. Thirdly, easy recovery of capital and interest on due date is necessary.

Making credit-worthiness one of the most important factors in the operation, the bank helped in the development of the economy of Southwest. In this regards, the chapter attempts to look at the role of Wema in the economy of Nigeria in the following; the relationship of the bank and the people, the process of account ownership and management, the role of the bank in the formation of local capitalist – elitist class, Agbonmagbe and the decolonization policy, the bank and the Western Regional Government, change from Agbonmagbe to Wema bank, and the place of the bank in the indigenization policy.

## **5.2 Changing Relationship between Agbonmagbe Bank and the Masses**

During the 1920s, in urban centres on the Atlantic coast, most notably in Lagos, Abeokuta and Calabar, a prosperous merchant class had emerged which had profited from international trade and was increasingly politically active.<sup>158</sup> The identification of the role of finance capital, the shortage of credit from the imperial banks, was some of the pushed factors in the attempts to the establishment of several banks in the period.

The merchants saw the prospect of a bank in the mobilization of the needed capital in furthering their business expansion, where the need be, merchants whether in groups or as individual, established a bank to boast their opportunities. Then, not all of the attempts by merchants in the formation of banking institutions were successful with the operation of the bank, meaning that many of the attempts did not go beyond the planning table.

Due to the failure of some these bank banks that emerged, there was the commissioning of Paton in 1950 to look in the activities of banks in Nigeria. Therefore, it is important to note

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<sup>158</sup> See A. G. Hopkins, 'Economic Aspect of Political Movements in Nigerian and Gold Coast; 1918- 1939', *Journal of African History*, 7, 1, 1966, Pp. 133 – 52; A. I. Nwabughuogu, "From Wealth Entrepreneur to Petty Traders: The Decline of African Middlemen in Eastern Nigeria, 1900 – 1950", *Journal of African History*; 23, 3, 1982, Pp. 365 - 79

that many other European banks too had emerged and failed before, until the decade 1940 -1950 which can be referred to the period of boom and bust in banking activities in Nigeria. The commission led to the establishment of a regulative body known as the central bank. Given the fact that the political leadership elite wished to finance indigenous businesses and the belief that both the indigenous banks and other businesses were being discriminated against, it was hardly surprising that the banks sought and got aid from the Western Regional Governments when these governments came under the control of Nigerian politicians.

The monopolistic control of the expatriate banks was broken in 1954 when the first Action Group Government, led by Awolowo, was installed in Western Nigeria. Conscious of the difficulties which had retarded the growth of the economy in the region, the Regional Government was instrumental in getting the Regional Marketing Board and other corporations and agencies run by the government to bank their monies with the indigenous banks. This was followed in 1953 by the Marketing Board buying preference shares in the bank. This was a turning point in the life of the Agbonmagbe bank. The relationship enabled the bank to enjoy some new advantages in the era of colonial quarantine of indigenous companies.

Banking institution is an organized form of modern money lending and moneylender businesses. Thus, its utility has made banks to design all manner of products and promotions which are in the improved frame of money lending. While the customers are allowed to take limited amount of money often “with collateral” to enable them acquire some consumer goods or meet other personal needs without an accounts, the bank allowed access to both secured and unsecured credit. Apart from the fact that the borrower must maintain an account with the bank, research has shown that the borrower must also have a steady flow of cash such as a salary into the said account. Here lies the difference between the bank facilities and money lending.

The requirements for the maintenance of an account and a steady flow of income are by themselves, forms of collaterals. Meaning of Money Market the centre in which any financial agencies-whether organized or unorganized operate is called money market. It is a centre of supply of and demand of short-term funds. The centre in which organized financial institutions operate is called organized money market and the centre where indigenous financial agencies operate is known as unorganized money market.

The successful working of a money market in any economy is conditioned by the pattern and structure of financial institutions that exist in that market. At the beginning of the 1950's, banking operations were confined more or less to large centers of overseas trade. Even though, the banks had little or no direct contact with the public except for few who had some amount of savings and business in some cases, land to serve as collateral.

Much of the credit, as far as it was required for domestic trade was provided by extra territorial trading companies in the country. This is, in spite of the fact that by the 1951 expansion in the branching with the three imperial banks with about forty-six branches alongside the few numbers of indigenous banks means that the situation of the peasant had not changed compared to the few merchants in the country.

The growth of loans and advances has been accompanied by the decline in the seasonal fluctuations in bank lending. Until recently, loans and advances of bank were mainly geared to the financing of imports and exports economy. As a result, bank lending tended to be high during the drop seasons which comes roughly between September and January and to fall thereafter into the third quarter of the year. Corresponding to this was the seasonal variations in excess liquidity of the banks between the crop marketing period and other times of the year. In recent years especially since 1962 the degree of fluctuations in bank lending has fallen markedly with a



corresponding fall in excess liquidity between the crop buying season and other periods of the year. There are many reasons for this change in the pattern of bank lending. The most obvious reason is the structural change in the Nigerian economy due to the discovery of oil.

The rapid growth of manufacturing production which rose in value from £3 million in 1950 to £15 million in 1960 has increased the demand for bank credit. Thus, between 1958 and 1963, the share of bank lending to the manufacturing sector in total loans and advances rose from 5 to 11 per cent.<sup>159</sup> The second major reason is the gradual withdrawal, due to government policy, of large expatriate firms from retail trade and produce buying.

In the past, indigenous merchants usually secured finance for their operation outside the banking system through short-term borrowings from the informal indigenous credit institutions. The replacement of the expatriate firm with small indigenous firms who lack funds of their own and have no access to direct overseas finance has meant a growing reliance of commerce on local banks for working capital requirements.

The third major reason which again stems from official policy is the recent introduction of a produce bill financing scheme in which most of the bank participated. The scheme was introduced in 1962 for the financing of the agricultural exports handled by the Marketing Board. Earlier; seasonal finance for the Marketing Board's crops was found in London and the Board's sterling securities were hypothecated<sup>160</sup> to cover overdraft facilities usually made at one per cent above the bank rate.

Partially in order to save the foreign exchange loss on account of interest which this traditional short-term borrowing involved, the Central Bank endeavored in 1962 to arrange a

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<sup>159</sup> A . Lamfalusay, "Monetary Substitutes and Monetary Policy," *Bankers Magazine*, January, 1961, p. 67

<sup>160</sup>To pledge money especially public revenue for certain purpose as security for debt without surrounding ownership of the money or property

local finance by means of bills of exchange for the Board. Thus the seasonal financial requirements of the Marketing Board which formerly were met through short-term borrowing in London are now being provided for by the local banking system.<sup>161</sup> As a result of this growing demand for bank credit, coupled with the slow growth of the deposits in relation to advances, there has been an increasing pressure on the resources of the banking system. While aggregate bank advances rose over the decade by 641 per cent, aggregate deposits rose by only 140 per cent.<sup>162</sup> This development has exerted pressure on bank liquidity.

### **5.3 Processes of Account Ownership and Management**

Account holding and transactions have two major divisions, one relates to keeping of money for safety custody and the other, withdrawing money to meet certain demands. Account, defines the unit of bank's stock or assets, measuring the relationship of an individual to the banking institution. It is the holder's stake, stating in clear terms, the amount of the equity share or the sphere of the individual in the bank.

Account forms a great part of banking industry, it helps to itemize, record, calculate the amount of all the transactions whether in monetary or its equivalent that an individual or organization possess or has with the bank. There were basically two types of accounts operated in the bank – the savings and current deposit accounts. Unlike demand or current deposits account popular with imperial banks, a large proportion of savings deposits are maintained by individuals especially for low income earners and small farmers in Wema.

Savings accounts designed for people with small but regular savings from salaries and earnings yield regular accrument inform of interest at some regular intervals. By the 1960s, the rate was 3 per cent payable on specific dates at a flat rate on the fluctuating balance. In theory,

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<sup>161</sup> The Daily Times, Lagos, June 3, 1963, p. 3

<sup>162</sup> The West African Pilot, Lagos, April 6, 1963.

the processes of withdrawals are subject to three days notice, but this is not enforced in practice.<sup>163</sup> Most banks operate their savings accounts on a demand basis since the enforcement of a notice period would seriously cut down the number of accounts holder.<sup>164</sup> Savings accounts are unprofitable to handle since the amount of money turnover per account is small, the number of entries involved in running, and maintaining it every month is high. Servicing charges could not cover the operating costs for just Wema bank, but almost all the banks in Nigeria at the period.

The servicing charge is calculated and, charged as a flat rate on the declining debit balance. Most of the banks at time, try to check frequent withdrawals from savings accounts by levying a charge on any withdrawals in excess of one per month. Nevertheless, most banks carry a loss on the servicing of their savings accounts. The loss is carried partly to please the government and to encourage the saving habit in Nigeria.

The third class of deposit is 'time deposits' or fixed deposit as it is known today. These differ from current and saving deposits mainly in which withdrawal is strictly subject to advance notice. In absolute terms, time deposits increased by 375 per cent from about £4 million to nearly £19 million between the end of 1954 and the end of 1963. The share of time deposits in aggregate deposits increased from about 9 per cent to 46 per cent over the decade. Nearly 75 per cent of time deposits are held by government institutions in the bank. The government by then had about 40 per cent of the time deposits with the bank. Individuals account for 21 per cent of time deposits.<sup>165</sup>

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<sup>163</sup> Mr. Idowu Ogedegbe interviewed 15<sup>th</sup> November 2013, Lagos, 65+

<sup>164</sup> International Monetary Fund, "Bill Rate in London" *International Financial Statistics*, (February, 1961), p. 63

<sup>165</sup> See T. Falola & A.G. Adebayo, *Culture, Politics, and Money Among the Yoruba*, goggle books file. , A. Shannon, "Nigerian Financial Revolution," *The Modern Colonial Sterling Exchange Standard*, (1961), p.55see also the Coker's Commission of 1962

The noticeable difference between the imperial financial institutions and the indigenous financial agencies are: the size of deposits and access from West African Currency Board which help to supplement the capital of the imperial financial agencies. While the indigenous financial institutions main capital come from public deposits. The process of creating bank deposits is in the exchange of claims and profits from the interest charges. There was no fixed or exact amount on the operation or opening of an account with the bank as far the person was an adult<sup>166</sup> with a regular income that may be fairly above £100 can serve as a medium deposit. This explained the fact that in the colonial period, few people especially the traders, salary earners and government were among the account holders. Few people opened and operated account with Wema Bank in the colonial period because the simple and mutual nature of other indigenous financial intermediaries.

These financial intermediaries were different from the banks even though, it often performed many of the functions of the banks, viz., accepting mutual deposits, and lending of unsecured loans. In the course of its daily business transactions a banker will come in contact with quite a number of people who have different motives for coming into the bank. Some come to deposit money, some just to make inquiries some to cash bank cheque a promising note serving as a means of payment. Many of these people maintain subsisting relationship with the bank, while in other cases; it is a “one off affair” perhaps never to be repeated again. The question is can all these people be called customers to the bank?

While banks may be few, the persons with whom they transact businesses whether directly or indirectly are immeasurable; hence there is a need to attempt a definition of who a bank customer is. The word “bank customer” has not been statutorily defined neither can it be

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<sup>166</sup> There was the need in most cases, to provide evidence of one’s age with the demand for birth certificate to show that such an individual was an adult of bankable age and a form of identity.

defined with any exactness. In general parlance, the word ‘customer’ implies any person in course of dealings or transactions as it brings to our imagination, accustomed or maintained repeated patronage, continuously the bank over a period of time. This notion necessarily presupposes that an isolated dealing or transaction would not be enough to make a person a customer of a bank. The question that has to be answered is how many dealings a customer must have with a bank before he can be said to be a bank customer. Only privileged few, mostly politicians, government functionaries, and big merchants had direct contact with the bank but the activities of this group had influence on the lives of others. So that when there is restricted credit to the group, it often led to friction in the economy.

#### **5.4 The Role of Wema Bank in Formation of Indigenous Capitalist – elitist Class in Western Nigeria**

The establishment of the Marketing Boards in 1947 for cocoa and 1949 for palm produce, in addition to the liberal loans and credit of the indigenous banks, created opportunities for Nigerian traders especially in the western region to reach the top of the commercial pyramid in the export trade. In 1951-1952 there were about 10 Africans firms and about 32 Licensed Buying Agent(s) doing business with the bank and the boards in the Western Region. With the advances from the bank and the boards, Nigerians merchants, slow but steadily, conquered the upper layers of the ‘produce trade’ at the expense of Europeans firms that had dominated the top of the pyramid.<sup>167</sup> The success of these Nigerian merchants in economic affair was indeed, a giant step towards decolonization and the making of indigenous capitalist-elitist class in the country.

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<sup>167</sup> PRO CO 852/1155/3, Nigerian Palm Produce Marketing Board, Minutes of Meeting, 21 November 1951, Attachment, “Statement of Purchases by Licensed Buying Agents 29th December 1950 - 18<sup>th</sup> October 1951;” Nigerian Palm Produce Marketing Board. Annual Reports 1949-1954 (Lagos, 1950-55).

Privilege tends, however, to breed more privilege in life. By indigenous capitalist – elitist class, it meant the few merchants and business people who had access to “credit system” customers to the Marketing Boards and the bank during colonialism. As this group grows, they continued to use their privilege and opportunities to advance their interest and consolidate their position in the society towards the end of colonialism in Nigeria. Though, while it was the activities of the group that led to the establishment of conventional banking institution in Nigeria, the banks also aided or furthered their development as elitist class in the Nigerian economy.<sup>168</sup>

Today, the Okupes’ moneyed dynasty is not just known as a pace-setter of indigenous banking, but it also survives as merchant, politician but also as an industrialist in the area of real estate and property development. With the Okupe estate and property situated in Maryland, the family is a sure name in the league of indigenous capitalist – elitist class in the country. Property was, and still remained an immense economic and political significance to the elite. It forms the basis of security for both individuals and groups. Apart from the steady income that would accrue from the property, it also contributes significantly in the acquisition of education, a status determiner among the people of Western Region of Nigeria in the colonial era, and even up to present. As the group the (elitist) controls some property and houses in the major urban street of Lagos, also maintain their privilege position in the economy.

The capitalist and the elitist class will continue to be truly the owner and the controller of the major lands in Lagos, and will thus be hosts to the provincial and to the government. The relationship between property and politics is not new development in Lagos area. The few

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<sup>168</sup> It is arguable that Awolowo who was the head of government businesses in the Western Region from the 1952 and latter the premier of the region from 1954 – 1959 was part of this class.

privilege individuals to have access to bank loan and credit, due however, to their role as middle-people in the trade opportunities in the early nineteenth century, became a class of capitalist-elitist by the middle twentieth century leading to the formation and ownership of banks. There is no doubt, that these class played vital role in the economy as the importers and export economy in Nigeria. They were of course privileged in the sense that they had the necessary experience and contact which gave them income per capital higher than that of the rest of the population.

So, as the Europeans merchants slowly but steadily withdraw from the produce trade, the Nigerian elites and capitalist in romance with the bank step in and took over their place. In this regard, T.A. Odutola, the largest Nigerian cocoa trader and B-shipper of the war era, with loans from indigenous bank, began to withdraw from this line of business to concentrate on manufacturing in the 1950s and 60s.<sup>169</sup> At the same time, the smaller Nigerian firms could operate and functioned more flexibly with fewer overhead costs. The takeover was not a problem to them, because most were actually operating in the field they knew best. On the other hand, their small size posed a problem for the admission policy of the Boards which included, as the decisive criterion, the “handling capacity” of a minimum tonnage of produce. This amounted to a capital need of about £10,000 in order to get admission as a cocoa Licensed Board Agent in 1951-52.<sup>170</sup>

This demand stimulated the formation of trader’s associations union, registered as limited liability companies, in Ibadan, Ijebu-Ode, Sapele and Ilesha form a link the politician to access bank loans to form the much needed capital. Calculating from their purchase figures, several of these firms must have reached turnovers capital, purely from their LBA activity, of £100,000, in

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<sup>169</sup> See F. Longe, *A Rare Breed: The Story of Chief Timothy Adeola Odutola*, Lagos, 1981, 41.

<sup>170</sup> PRO CO 852/1150/7, NCMB, Minutes, 31 July 1951.

1951. The Ibadan Traders Association reached even £200,000 as one of the most viable within a short while. At the same time, the Cocoa Board helped Nigerian firms with bank credit and advance.<sup>171</sup> And this, the group slowly but technically took over functions that had earlier been fulfilled by European firms.

In this regard, leading Nigerians especially the businesspeople in the western region, were in no doubt, in the capacity of capitalist – elite in the likes of T.A. Odutola, E.A. Sanda and J.O. Fadahunsi for cocoa, A. Abbi and Obaseki for palm produce and many others, represented the interests of Nigerian emergent capitalist class who had direct dealing with the bank and the marketing board became wealthy individuals and members of the Marketing Boards in the 1950s.

## **5.5 Agbonmagbe Bank and the Economic Decolonization Struggle in the Southwestern Nigeria**

Decolonization of imperial and colonial domination especially, in some essential national economic institutions had begun with the attempt to establish and control indigenous financial institution especially a bank 1940s. And this process was further accelerated due to the impact of the Second World War and the change in pound to dollarization of world economy. Consequently, there were the series of agitation for constitutional arrangements that led to the formation of Regional Governments, underscoring nationalist/anti-colonialist rallies and movements. Agitation and organized protest against the discriminations suffered by Nigerians from the expatriate firms especially the banks in matters relating to credit dearth in the economic opportunity of the period especially 1945-1950.

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<sup>171</sup> *ibid.*, Appendix 198



Therefore, it was not a mere coincidence, the incorporation of Agbonmagbe bank in 1945. An event though at its nascent stage with nominal capital base, but shook expatriate business because the bank was incorporated with a strong and resolute determination aimed towards promoting economic and trading opportunity among the merchants class in the country. It was not just the first indigenous institution owned by a private individual, but showed that through hard work and enthusiasm, it also served as a premium that Nigerians too have the capacity for success in economic management. Due to the importance Nigerian especially the elite placed on banking institution as the goalpost to economic progress, the Western Regional Government at some point, invested in the growth and development of the bank and other in industries especially education.<sup>172</sup>

The realization of the importance of the bank activities grew slowly but it helped to arouse the grouse of the people against colonial domination. Steadily with the synergy with the Western Regional Government it survived as one institution of example that African can be master of their affairs if given the right opportunity for nationalists to agitate for more of such institutions.<sup>173</sup> It contributed to the development of the Western Region in the provision of basic infrastructure such education which gave the region edge out other region in term of manpower development in Nigeria.

Of course it is pretty difficult to separate the bank from the Action Group political party, and the overall development of the western regions in the aspect of education, social

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<sup>172</sup> See N. Azikiwe, *Zik: A Selection from the Speeches of Nnamdi Azikiwe*, Cambridge, 1961, P. 277 where he remarked in 1956 that combating financial monopolies and liberating credit to Africans would enable us to enjoy political freedom pari-passu with economic freedom.” Similarly, in 1961, chief Awolowo stated that control the bulk of our financial institution would help to liberate credit for development.

<sup>173</sup> See C.V. Brown, *Government and Banking in Western Nigeria* (Ibadan/Lagos, 1964), 11-12, and NAI CSO 26/10305 Vol. III. Another bank, the “Penny Bank,” was founded by the Federation of Nigerian Farmers in 1943, but it remains unclear whether it ever became operative: see NAI ComCol 1/2794, Philipps, General Sector., The Federation of Nigerian Farmers, to Commissioner of the Colony, 1 March 1943

infrastructural and human-power development of the region and by large the Nigerian state. Most of the nationalist cum-traders in the Western Region used the bank as a springboard to take over most of the economic sphere dominated by the expatriate during the decolonization era. This may also explained why there was the rush to own a bank by most of the merchants and Nigerian trader cum-nationalist even without the necessary experience in the working of the industry by most of the people that moved into the business.

Another way through which the bank participated in the decolonization process includes advertisements of savings campaigns, and the offer of not only quick and efficient service but also of turnover to its customers. Throughout 1950s which can be taken as the high noon of the decolonization movement in Nigeria, the success of the National Bank of Nigeria and Agbonmagbe bank were the reference for the need for other national institution in the region. Many nationalist protested the restricted opportunities in the transport and mining sector of economy which the colonial state through policy design, undermines the potentials of the Nigerians.

They argued that given the same opportunity, Nigerian industrialists have the capacity to success in any economic venture just like the success and development of the indigenous (National Bank of Nigeria and Wema bank). Therefore, the tune of the campaign and protest before independence was the expansion of economic and financial space for Nigerian merchants and industrialist. This nationalist believed that by securing political independence first, every other thing would fall in place.

In the past and up to the independent, there was a sharp division between the indigenous and the expatriate sectors of the banking industry. This division was reflected in the asset

structure, quality, capital base, lending policy, and much more, in management. Though, the indigenous bank had inadequate capital base compared to the imperial banks but developed liberal banking practices especially in relation to lending and account ownership.

Of course, it is the aim here to argue, that African commercial and business interest was not just supported, but was also, part of an integral aspect of the early decolonization process. To achieve an expanded economic participation by Africans especially in the control of financial flow as part of the decolonization struggle, there must be first political independence since most of the decision, acts, policies of the banking institutions were in a way, political decisions from those in the authority. Even though, in contrast to political independence, decolonization obviously did not result in economic independence. Rather, it led to a situation which African traders and businesses took over some spheres of business that European enterprises were forced to abandon. The largest of which went into some more modern sectors, particularly extractive and manufacturing.

Even though it was far from a takeover of the economy by Nigerians, but it did create an extension of the commercial and business frontiers in favour of African entrepreneurs. Shrinking and to some degree, shifting the boundary lines between the indigenous and the expatriate sectors, up to 1960.<sup>174</sup> The economic roles of the banks were reflected in their notable but limited role in the Nigerian educational, political establishment, where businessmen held mostly second class positions compared with the well-known leaders of nationalist and party politics.

During the war, colonial governmental intervention into economic affairs by means of control policies reached a high level and began to affect the everyday lives of every Nigerians in

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<sup>174</sup> Report of the Advisory Committee on Aids to African Businessmen (Lagos, 1959), 50

their capacity as producers, consumers, and traders. This resulted in a new type of perception of the colonial state and its activities. By intervening directly in economic affairs, the state became partly responsible for the war-time economic problems themselves. This was obvious in the case of export produce, and the restrictions in imports of machinery.

Government intervention took a specific form: it went through the medium of European trading firms and quite obviously, done in their interest. Thus, the firms conduct of business especially company like the UAC became a highly political theme for agitations and protests. the firms were not only been accused of profiteering from the war- time economic conditions but also attempting to hold Nigerian merchants back with the massive import license and price increases done with official authority. For the colonial government, the politico-monetary agitation and protests during the decolonization era, created serious problems of legitimacy for colonialism.

These remained hidden during the first years of the war, in a time of intensive official propaganda<sup>175</sup> for war-time political loyalty, but became more obvious when, from about 1942, growing protest was officially recognized and mollified by small concessions and the first offers of political participation. And leading gradually to open political opposition after 1945, when the economic issues analyzed here combined with others to create a wave of nationalist campaigning that culminated in 1950s to the independence in 1960.

The effects of war economics and control policies on African traders were already being criticized in early 1940 by the Nigerian Youth Movement (NYM) in the words of the president:

“We hoped that some practical means will be found for making a clear demarcation in the sphere of activities between big European Capitalists interests

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<sup>175</sup> See, NAI DCI 1/1/4032/Vols. I-V.103

and the small traders with a view to protecting the latter from unfair competition and assuring him of a settled place in the economic life of the country.”<sup>176</sup>

Opinions differed, as it was of course, not clear on what exactly this place should be. Nigerians especially merchants of western region in the Export and Import Trades on the one hand, “experience in the restricted finance and licenses” in the export and import trades preventing Nigerian traders from expanding their businesses beyond the rather marginal roles they had played before. But on the development of the economic potentials of the country especially in the extractive and manufacturing it seen was nonnegotiable. And the pursuit of the policy became explicable in the collaboration between the bank and the Regional Board up to the 1962.<sup>177</sup>

The establishment of the Department of Commerce and Industry in 1946 was primarily for the handling of development projects. After 1948, its other major task was to ensure maximum participation by Nigerians in the development of processing industries.<sup>178</sup> The Department of Commerce and Industry did not mean direct financial support to African traders, but was to help them indirectly through the banks. But it was the indigenous banks especially Wema bank that gave credit and financial assistance to the business-people.

Though (DCI) through one of the advisory Offices in Lagos (1949), Ibadan (1951) and Port Harcourt (1952) gave information about business opportunities, helped with contacts and licensing matters. Consequently, the DCI saw one of its most important tasks as “educating

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<sup>176</sup> ‘Address by the President of the Youth Movement,’ Daily Time, 19 March 1940

<sup>177</sup> See Report of Coker Commission of Inquiry into the Affairs of certain statutory corporations in Western Nigeria, 1962

<sup>178</sup> Quotations from the Department of Commerce Industry Annual Report 1949-50 Lagos,

Nigerian traders in the banking, indenting, shipping, storage and distribution aspects of modern commerce” in order to reach “higher standards of business morality and practice.”<sup>179</sup>

## **5.6 The Bank and the Western Regional Government in the 1954**

The purpose of the section is of two significant. First is to show the relationship between the economy and politics, and especially the bank and the Western Regional Produce Marketing Board by the 1950’s. Second, is to show that the success or failures of any institution especially the bank depend to some extent on the state politics. A great and enduring relationship emerged between the bank and the regional government dating back to the 1952 banking Ordinance in Nigeria. This was followed in 1953 by the Marketing Board buying preference shares in the banks. This was a turning point in the life of the banks. It enabled the bank to enjoy new advantages. The bank found regional government revenues essential for operation and survival.

It was quite a simple process; the bank held government revenue and made most of it. The bank had to compromise on its lending policy in order to continue to enjoy the patronage of the state. And the government official also had to compromise on their regulatory policy to be in the good book of the bank. The bank and the politicians needed each other to survive. The relation was thus a strategy in the survival of the bank.

Given the fact that the politicians wished to finance Nigerian business people and the fact that both indigenous banks and other businesses were being discriminated against, it was hardly surprising then that the indigenous banks especially Agbonmagbe bank being a one man business, sought aid from the regional governments when these governments came under the control of Nigerian politicians.

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<sup>179</sup> Ibid, DCI Annual Report 1952-53

By the 1953 to 1955, the Western Region Production Development Board made a longterm deposit in Wema bank, the sum of £125,000 for three years at 4 per cent interest. And by the end of March 1956, precisely on the 31th, the W. R. P. D. B. total deposit in the bank was over £134, 000. The £125, 000 deposits were apparently repaid on time in 1958. By March 31, 1959, the bank still had a paid-up capital of £13,410 and deposits were over £145,000.

The increasing patronage of the bank and the marketing board ensured an increase in loan and credit given out. By this time, the bank advances of credit had risen to nearly 70 per cent of the total deposits. So that by the month of September 1959, the Agbonmagbe Bank received another fixed deposit from the Marketing Board of £200, 000, which was more than total deposits in six months earlier. And by the month of October, 1960, £80, 000 of this was converted into shares in the bank. The bank pay-up capital was still £13,410 at that time.

By 1959, Chief Okupe was said to have approached the Premier of the Region at that time and asked him for government support for the Agbonmagbe Bank. The head of the government promised that the government would look into the matter later. In June, the same year, the premier met with the Minister of Commerce and Industry, the Ministry responsible for the Marketing Board, to discuss the matter of assisting the Agbonmagbe Bank. At a private meeting the decision to deposit the sum of £200, 000 in the Agbonmagbe Bank was made by politicians who did not consult their civil servants before making the decision. Although the purpose of the deposit was to help indigenous banking, especially Agbonmagbe bank from bankruptcy.

No investigation was made to determine whether in fact the deposit would help the bank. Because the decision was made by politicians, and because there was no investigation, the Marketing Board and the Ministry of Trade and Industry had no way of knowing that the deposit

approximately doubled total deposits at that time. As a result they could not have known whether or not such a large increase in deposits was in the bank's interest.

As later events would show, this relationship between the bank and the western regional government cumulated in more trouble for the bank.<sup>180</sup> The result of this was eventual take-over and subsequent change of name and ownership of the bank. Partly connected to the troubles of the bank, was Sometime in 1960 when a bank examiner visited the Agbonmagbe Bank.

The report of the meeting between the premier, minister of trade and industry was not produced in evidence at the Inquiry, but Chief Okupe admitted that the report recommended more efficient staff, better accounts, and better auditors. Chief Okupe also admitted that the report found that his bank granting advances in excess of what was legally permitted. With the bank's capital of £13, 410, the maximum advance permitted by the law would be less than £3,500 to any one borrower.

The official credit limit to individual became a difficult challenge in using its £200, 000 deposits to full advantage, when it was permitted to loan only a small amount to anyone customer. When the examination revealed that the bank made illegal advances, it had a choice between calling in its illegal advances or increasing its capital. The politicians again made the decision in this case to convert; £80,000 of the deposits into shares without consulting their civil servants and without making any investigation.

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<sup>180</sup> "Report of Coker Commission of Inquiry into the Affairs of certain statutory Corporations in Western Nigeria, 1962," *UF George A Smathers Library*, University of Florida Digital Collections. P.13



Nearly a year after the conversion of the deposit, the Marketing Board still had obtained no representation on the Board of Directors. One important question remains unanswered. While when the Marketing Board owned £80, 000 out of £193,535 capital, was unable to obtain any representative as the board of directors. There seemed to be two reasons for this. In the first place the politicians did not know what they wanted. The Premier himself appeared to have held more than one view on the subject. In his minutes of March 30, 1962, he stated:

The Government does not intend to meddle with the affairs of the Bank. It was unfair for the Managing Director to suggest that any member of the Government intends to control the bank.<sup>181</sup>

On August 24, 1962, the Premier appeared to have taken another view on the question of control of the bank. He decided to make it possible for some government officials to be members of the Board of Directors of the Bank. It appeared that the bank had a better record than the accounts of the National Bank. Deposits, including the Marketing Board's £200, 000 were over £460, 000 in 1960. In 1961 partly as a result of the conversion to shares, deposits were about £360, 000; but in 1963 they had fallen to just a little over £288, 000. The drop of about £140,000 in deposits between 1962 and 1963 might have been the result of the Marketing Board withdrawing its deposit of £120, 000 or it might have been that other depositors withdrew their funds.

Whatever the reason, the effects on the bank had a very serious consequence. The consequences on the bank and more on politics, led to the setting up a commission of enquiry to look in the affair of most public corporations in the western region by the federal government in

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<sup>181</sup> Report of Coker Commission of Inquiry into the Affairs of certain statutory corporations in Western Nigeria, 1962, UFDC, African Studies, George Smarthers Library

1962. The commission known as Coker commission of 1962 found the bank weak without the government support.

### **5.7 The Change in Name From Agbonmagbe to Wema bank in 1969**

Wema is an acronym of the Western Market from the first two letters of the two words. The history of the bank and the Western Regional marketing board dates back to the formation of the board. It presents a systemic view of the relations between the state and indigenous businesses. The Cocoa Board was a source of finance for western regions banks in as early as 1950. It began to deposit some of its funds with the National Bank of Nigeria and later the Agbonmagbe bank which had, from mid-1950s, asked the Board to be appointed as regular “banker to the Board” due to their role in advancing of loans to Nigerian LBAs.<sup>182</sup> By the end of 1951, the Board had deposited about £250,000 with the banks, nearly one third of all the banks' deposits at the time. This idea of financial support dictated by the desire for development was a result of economic and political need that, in a normal sense, equated money belonging to Western Regional Government money to be used by African businessmen.

The drive for economic development and progress, were some of the factors for the intervention of the Marketing Boards and the in Regional Government to play a destined role in the promotion of banking development in the country. The liquidity ratio of Agbonmagbe bank appeared to have fallen from over 33 per cent on March 31, 1962, to less than 17 per cent a year later. This was, of course, considerably below the legal minimum of 25 per cent.

In spite of the fact that the bank was able to reduce advances by nearly £50, 000, the ratio of advances to deposits had risen from about 83 per cent to about 107 per cent. As a result, the

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<sup>182</sup> PRO CO 852/1150/6, NCMB, Minutes, 27 July 1950: Appendix 149, Chief Accountant, NBN, to Secretary, NCMB, 22 July 1950, and Memorandum, “Banking Arrangement: National Bank of Nigeria Ltd.,” 15 July 1950.

bank appeared to be in a seriously weak position for the first time.<sup>183</sup> It was also possible that the bank would not have been attempted to grant advances that exceeded 25 per cent of its paid-up capital if it had not received the £200, 000 deposits from the Marketing Board.

Therefore on the basis of the limited evidence that is available, it would appear that the Agbonmagbe within a few years after the regionalization of Marketing Boards in 1954, the formerly private African banks: NBN and Agbonmagbe banks were taken over by the regional governments and used to finance the new political and economic agenda of the region, its public spending, and its private enterprises. This was the main problem the bank faced in the post-colonial era with cases of litigation of corruption in the western region.

The bank and the Board turned out to be an instrument for the larger Nigerian entrepreneur growth and development. Industries, forestry/saw- mills, radio/recreational amenities and communal projects (mainly market extension) each received about one- eighth of total funds. But the rest - more than half of all funds available to the Board – was spent on transport, mainly passenger bus enterprises. Here most of the western regional entrepreneurs did not need a “development loan,” but huge capital. And in effect, the only “developmental” aspect of the Board's activity was to give loans at somewhat more attractive conditions than the commercial banks.

Moreover, the pressure on the Board of the bank resulted in a series of loan awards to politically influential people in the region. People such as the former cocoa trader T.A. Odutola, who had in the meantime become a Member of the Legislative Council, NLDB and WRDB, received £22,500 for his tyres retreading plant in Ibadan, the highest amount ever allocated to

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<sup>183</sup> Op'cit, Report of Coker Commission 1962, P.15

any private enterprise before 1953.<sup>184</sup> Another Marketing Board member G. Obaseki, lyase of Benin City and timber entrepreneur, received £7,500 for a sawmill company in 1950s, after he had applied for £20,000. Also another Board member P.A. Oladapo received about £4,000 for projects in the field of rice production and food processing. His brother S.A. Oladapo got £16,000 for sawmill.<sup>185</sup>

The Ibadan Bus Service company - with WRDB and cocoa board member E.A. Sanda as shareholder - was allocated £40,000 in July 1952; a sum suddenly reduced to £10,000 during the next session of the Board. A fact which indicates that some correctives measures were taken against gross misjudgments was a common practice. There were many more cases of loans awarded to prominent businessmen. These loan awards were not necessarily corrupt - some may have been, but others were serious attempts to establish businesses in a period of development enthusiasm in the region.

The problem in the Western Regional Development Board's loan award practice was that it gave well-connected Western Regional Nigerian entrepreneurs special access to government funds, and that these arrangements made it, increasingly unclear, the distinctions between politics and economy. And between what one can termed as "regular" and "corrupt" practices in the relations between both fields that is the bank and political patronage, between economy of development and political compromises in the region.

The political pressure in the advances of credit done between "regular" and "corrupt" practices was one of the stony issues that created a great litigation and political cases in the first

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<sup>184</sup> NAI DCI 1/1/3047 S.2 and Vol. II, WRDB, Minutes, 1 June 1950, 18 December 1950 and 18 March 1952.

<sup>185</sup> NAI DCI 1/1/3047 S.2 and Vol. II, WRDB, Minutes, 6 October 1950, 18 March 1952, 28 July 1952 und 16 January 1953

republic. These, in addition to liquidity problem of the bank, were some of the argument for the takeover, and ultimately the change in the nomenclature of the bank from Agbonmagbe to Wema. These changes marked a new dawn for the bank and the ownership of the bank in 1969. What this means is that the government through the board, became a major shareholder in the bank. Due to the adequate capital and 1962 commission on all government enterprises in western region, led to disinvestment of the initial paid-up capital held by the Okupe to the government.

### **5.8 The Place of the Banks in the Era of Indigenization Policies in Nigeria**

The Nigerian Enterprise Promotion Decree of 1972 which is normally referred to an “indigenization decree” was one that aimed at the decolonization of the business enterprises, and the promotion of the economic development in Nigeria. The policy did not start with the proclamation of the decree in 1972, but long before the attainment of political independence in 1960. There had been attempted policies to enhance the performance and participation of Nigerians and the nation’s economic development. While most of the indigenous banks did not have problem with indigenization, they were nevertheless, affected in different ways by the withdrawal of both imperial banks and merchants from some aspect of the economic.

The percentage change in the ownership of imperial banks and merchants meant growing economic participation of Nigerian businessmen particularly in some new lines of businesses. These were the same sectors that became more and more unattractive to foreign firms - for economic reasons and also due to political sensitivities. But the indigenization decree was a force that sought to push for the development of the nation by reducing the amount of foreign ownership and stake in most company dominated by foreign merchants. This meant that Nigerian merchants had to raise money from the indigenous to acquire stakes in the indigenized foreign company.

The indigenization meant the withdrawal of foreign capital and worker from the Nigerian economy. Although the economic importance of Nigerian bankers was still small even in those fields where they were regarded as particularly well qualified, the basic structures of the postcolonial economic order, with a new division of commercial and business spheres among Nigerian and foreign enterprises and sometimes with co-operations between them, had been created by the 1954. There were new opening for business participation both in terms of customers and avenues for the bankers to demonstrate their managerial skill.

As a result of the increase government presence and the takeover of Wema bank due to patronage of first the regional marketing board, it also meant that most of the indigenous bankers, were trained by the board, automatically become available to grasp the vacated positions of the expatriate in the banks. Therefore, the aim here is not only to look at the processes of the indigenizing the staff, but how the Africanization and Nigerianization of major foreign enterprises post a challenge to the bank after 1945.

The incorporation of Wema bank in 1945 meant a new opportunity for the Nigerian merchants. This means in addition, to National Bank of Nigeria, in terms of access to “much needed” credit and loan advances to finance their participation in the economy. This led to a significant change in the operations, relationships, and management of the imperial banks activities. There was the needed desire in some measures, to extend banking activities to majority of Nigerians especially the illiterate who had never had any dealings banks, and to some Nigerian outside Lagos metropolis.

The substitution of signature with thumb-print, the opening of mobile bank account aimed at mopping-up the idle capital of the market woman were all geared to indigenization of banking

processes in southwestern Nigeria. The advances of non-collateralized credits and loans helped to break the legend of non-creditworthiness of the imperial banks and changed the landscape of banking activities in Nigeria.

Apart from the shifting of grounds to accommodate some of these changes, there was also a design by the bank for branch expansion in the 1950s. The following table reflects the numbers of branches operated by the indigenous banks in the country at the time. Wema and the National Bank of Nigeria in an attempt to foster banking culture expanded to cover some of the local markets. Wema's decision to expand might have been partly commercially – motivated, its design, timing and speed were determined by political factors to stifle out the indigenous banks.

At the same time, Nigerianization which was aimed at changing the composition of staff, especially the management positions, which were previously exclusively white, created a problem in the economy and to the indigenous banks. At this time, due to political motivated cases of corruption allegations and court litigation, did not only weaken Wema bank, but created a diversion and disinvestment of the western regional marketing board. Thus most of the people who had transacted with the bank bought stakes and became shares holders in other indigenizing banks.

**Figure 1: Bank Branches in Nigeria, 1952 –1962**

YEAR	1952	1954	1962
National Bank of Nigeria	9	20	31
Agbonmagbe Bank (later Wema)	3	3	9

Source: 1952 and 1962 from: C. V. Brown, *The Nigerian Banking System*, London, George & Allen Unwin, 1966, pp. 79 – 80

Nigerianization during Nigeria's political independence represented incremental contextual changes in the names but not in content from within the bank industry, as the number of failure, liquidation of many indigenous banks did not keep pace with political economy developments of the Nigerian state. The many banks and the nature of post independence economy of Nigeria were such that created rooms for concern and worries.

The patience of the new military government at the time was eroding, as many of the banks and companies operating in the country were imperially dominated in capital and ownership. Therefore influencing decision in country especially the Nigerian civil war<sup>186</sup> were some of factor for the Companies Act of 1968. And this was the beginning of a new policy that led to the indigenization decrees in the 1970s.

## **5.9 The Impact of the Indigenization on the Economy and the Banking System**

The retreat from retail trade, investment in the manufacturing sector and indigenization of the company management in Nigeria, at least at some level, were the most important aspects of this re-orientation. It is important to note that the independence and later indigenization, foreign capital did not "indigenize," but it learnt to "adapt" to new formulas. One necessary and obvious step taken was the retreat from established positions of political participation that were only possible in the colonial context: that is the "commercial members" in the Legislative Council. With political independence, this decade-old institution fast became anachronistic, but it needed a number of years after the 1960 "turning point" before even UAC was prepared to accept the turn of the tide and give it up, but not without some pressure by the Nigerian government.

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<sup>186</sup> There are some arguments about the role of the Barclays bank in the supporting the separation ambition of the Igbo during the Nigerian civil war, being the only bank that opened in the "defunct" Biafra state .. see C. Uche, Decolonizing the Barclays Bank DCO



In 1953, A.R.I. Mellor of the UAC had agreed and stated that: “we must endeavour to see what can be done by establishing closer personal relations with the African politicians concerned.”<sup>187</sup> While relations with Nigerian politicians were built up, relations with the Nigerian business elite were improved as well. The first joint ventures between Nigerian and European businesses emerged, not so much with the large companies long active in Nigeria, but rather with smaller companies and individual entrepreneurs from Europe, some of them driven by the spirit of adventure like J.L. Brandler, who after 1950 established joint ventures with E.A. Sanda and M. Bank-Anthony.

Bank-Anthony, again, started a construction company with Italian participation. A larger and more systematically established example was “Omo Sawmills Ltd.” in Ijebu, a joint venture between T.A. Odutola, British timber exporter Norman Ruthford and the Colonial Development Corporation.<sup>188</sup> The larger European firms rather preferred to give directorships of old and new established enterprises to Nigeria businessmen, which became a standard procedure since the 1950s.

The Chamber had little importance as long as AWAM existed; although there were discussions on reviving it at John Holt and Co. as early as 1943. It was on their initiative that their major cocoa buyer, “Odutola Bros,” the first African to become a member of the Chamber in 1945. Little more happened until 1948, when the European firms recognized the need for a

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<sup>187</sup>PRO CO 537/7167B, Mellor to Lyttleton (SSC), 13 October 1953. Also see this file for the debate on the company representatives, and PRO CO 537/5789, "Memorandum on Constitutional Reform in Nigeria," 21 June 1950 [A.R.I. Mellor, UAC/"Joint West Africa Committee"].

<sup>188</sup> See NAI PRO CO 852/1190/4

local substitute for AWAM that would also be able to react to the foreseeable devolution of decision power to Lagos and Nigerians,<sup>189</sup> and for a “truly representative body.”

The total number of the Chamber's member firms rose from 35 (1948) to 80 (1951) to 124 (1953); while there had been 5 African member firms in 1948, more than 1/3 were wholly or partly Nigerian-owned” in 1953, as the Chamber's president explained.<sup>190</sup> A purely African commercial association, the NAAIE, continued to exist, but some of its members became members of the Lagos Chamber of Commerce as well. The new business elite of the decolonization era had begun to emerge.

In spite of the significance improvement in the condition of Nigerians in the economic sector, much was still desired. Loynes’ assessment of the situation highlighted Barclays’s self-interest in indigenizing. Business itself, not only politics, demanded the employment of more and better qualified Africans since the bank had embarked on a programme of rapid branch expansion. This made it increasingly difficult to find enough staff, African and European alike, a universal problem for expatriate firms in West Africa.

However, the rate of indigenization at Barclays Bank compared un-favorably, not only with the civil service but also with the big trading companies. Like the Bank of British West Africa (BBWA) and other banks, they were in general much slower in giving even limited responsibility to their indigenous employees, particularly when compared to the UAC. Barclays had no African branch manager or sub-manager or even appointed accountant. This comparison is unfortunately limited to 1952, the only year for which there is a detailed list of Barclays’s senior staff. At this time Barclays employed 57 Europeans and 174 African clerks in

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<sup>189</sup> See “The Lagos Chamber of Commerce,” in *Commerce in Nigeria*, Vol.1, 1950, Pp. 9-11

<sup>190</sup> Figures from “President's Reports” of the annual meetings, reprinted in *Commerce in Nigeria*, 1951-55.

Nigeria.<sup>191</sup> The Nigerians constituted 22.2 per cent within the group of ‘senior’ employees, which includes the management, accountants but none, however, had climbed higher than the lowest rank of senior staff, the B-signatories, of whom about half were Nigerian.

Moreover, while the average income of B-signatories was similar, only the expatriates were eligible for allowances, which averaged £242, the minimum being £200 territorial allowance. The average age of the local staff in management grades was 45 years compared with the British average age of 27. These figures illustrate that Africans had a much lower income than their significantly younger expatriate colleagues, who had fewer years of service with the bank.<sup>192</sup>

While the base salary for the same job seemed to be the same, allowances formed an important part of expatriate income and expatriates could expect to get promoted earlier. Probably more important was the appointment of the first African, E. Inwang, to become a Local Head Office manager in 1961. He began as Assistant Staff Manager but was soon moved on to become the first manager of African staff. However, apart from a few talented young men placed in highly visible positions, indigenization proceeded more slowly than anticipated even by the European management.

General Manager F. A. Boreham had emphasized the importance of a ‘more positive approach to Nigerianization’ in 1961 but three years later ten out of eleven branches, which were supposed to have been Nigerianised in the previous two years, were still under European management. While the UAC had had Mellor’s report in 1948 and the Colonial Office (CO) made it clear in a policy paper in 1953 that they would take charge of Africanization to ensure

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<sup>191</sup> See Housefield, *Merchant Capital*, P.365

<sup>192</sup> See Uche C. *Accounting and Control in Barclays Bank DCO*

they would continue be able to guide its progress, Barclays's policy remained under-articulated and rather haphazard.

The approval was not as unanimous as the bank's managers reported back to London Head Office though, as this remark from a Nigerian senator illustrates: The trend now is to call every company a Nigerian company. That is, somebody is appointed from the outside, a Nigerian, one foolish man, who is usually given a big salary, so that they can call the company Nigerian. He has nothing to do with the company.<sup>193</sup>

Unsurprisingly, the local board did not herald a new Nigerian influence on Barclays, but the change of the management from Daldry to the new General Manager Edward Ambrose did make a major difference to the bank's operations. Profits doubled between 1961 and 1963 to over a million pounds; in comparison the half-year profit in 1959 had been £193,000 which was further reduced by 'administrative costs and other expenses' to a mere £78,000.1 Deposits and saving had been steadily growing throughout this time, and the change in profit was due to a strict policy of cost cutting.

The number of staff – especially non-clerical – diminished, due to the successful introduction of mechanization after 1952 and a streamlining of procedures. The deployment of 'expensive' expatriate staff was much more closely monitored than before and Nigerianization, although still far from being impressive, now gained more ground. However, ceilings to the advancement of local managers were still firmly in place: With Africans taking more and more jobs that used to be reserved for expatriates and the bank's departure from its old policy of guaranteed life-long employment, European staff were under the increased pressure of being

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<sup>193</sup> Senator Nwafor Orizu, Senate Section Speech, cited in H.L. Bretton, *Power and stability in Nigeria: The Politics of Decolonization*, New York, 1961, P.191

rationalized away. This explains the reluctance and, at times, the active obstruction of the indigenization programme by expatriate staff at Barclays.

During decolonization a similar development occurred in the imperial enterprise, which led the Colonial Office to comment on a hardening of attitudes against Nigeria appointments and promotions in 1954. By 1956 a compensation scheme for the public service had been introduced, which allowed officials to retire and withdraw gradually when qualified Africans were available. In the 1960s the new state started to handle expatriate quotas regulating the numbers of personnel to come from Britain for work more restrictively and imposed limits to increase the pressure on firms to decolonize more rapidly.

This made it harder for Barclays to move staff around the globe as freely as before. At the same time the opportunities to repatriate funds to London decreased through regulations in the newly decolonized countries. Neither money nor people – and therefore knowledge – were the flexible assets that they used to be. The end of colonialism led to nationalist economic policies in many less developed countries, attempting to gain more leverage in a world system in which they were relatively powerless.

The breakdown of the Bretton Woods system, the weakness and devaluation of the pound, the oil crises of the 1970s and the failure to implement rapid Nigerianization successfully raised the question of who, ultimately, controlled the imperial banks and by large, other companies; a conflict that intensified in the late 1960s and ultimately climaxed with the indigenization programmes of the 1970s. The next section analyses the transition from Nigerianization to increased legal restrictions of foreign businesses and the changes wrought by the indigenization policy. It appears several factors accounted for the policies of indigenization

and Nigerianization: Dependency theorists and historical materialists re-assessed the role of multinational companies and their ability to help developing countries modernize and the internal problem of the new Nigerian state.

### **5.10 Conclusion**

The business of the expatriate banks consisted chiefly of conducting the government accounts and those of the British trading companies together with the personal accounts of civil servants, commercial and professional people, mostly expatriates. The banks' main revenue came from advances and from commissions earned on internal transfers within Nigeria. The lack of active interest on the part of the large British banks in the business of the Nigerian community was the subject of much Nigerian criticism at that time and in succeeding years. The banks were accused of being unwilling to support the indigenous people. Nigerians felt that they had to open their own banks in order to obtain adequate credit because they believed that the expatriate banks discriminated against Nigerians.

In those days, no Nigerian, no matter how prestigious, could walk into a bank in Lagos or elsewhere, can be confident he would walk out with a loan or an overdraft in his pocket.<sup>194</sup>

The expatriate banking houses believed that only very few Nigerians were credit worthy and even these few were handled with caution. Nigerian bankers also felt that the expatriate banks tried to stifle the growth of competition from indigenous. Credit to indigenous businesspeople accounted for 43 per cent, but the provision for bad debts on African lending was about 75 per cent of the total provision<sup>195</sup>. However, this is no safe indication since the majority

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<sup>194</sup> International Bank for Reconstruction and Development, Lagos: *The Economic Development of Nigeria*, 1954, pp. 66-68

<sup>195</sup> See Calculation by C. Uche, 'Accounting and Control in Barclays Bank DCO', 243, 252

of bad debts were discovered later, especially the ones at Kano branch, headed by a British expatriate, where £1m was found to be irrecoverable.

It was in this clime, that the family of Matthew Adekoya Okupe, through hard work, personal determination for success organized and formed a bank in the likes of the imperial bank institution to facilitate personal and societal development of his people.

In spite of the fact that the notion of setting up a particular building called a bank was not common among the people, and also the notion that the money kept in such a building is out of the reach of the people for while, the formation of Wema bank was celebrated especially among the nationalist. The bank through the support of the nationalist and the political authority of the region, play a significant role firstly, as a protest institution to colonial banks activities, and then to colonial domination of the economy. Secondly, it also served as finance mobilizer for the political elite latter a channel for the Action Group Party in carrying over its planned action and economic reforms in the development of the region. This role becomes apparent in the educational and infrastructural development recorded in the region.

## **CHAPTER SIX: SIGNIFICANCE OF WEMA BANK ON THE ECONOMY OF SOUTHWESTERN NIGERIA.**

### **6.1 Introduction**

Of course, there is a strong link between the government and the banking sectors, when both are compared and well developed in terms of service efficiency and the volume of transactions to the masses; it can be a veritable tool for economy and national development. Bank, one of the main financial institutions and providers of formal financial services, especially credit facilities is indeed, like any other informal financial institution, serves as fecund to Nigeria development. Their competition for clients with ownership of mortgage-able property of relatively high values, usually help to pull needed developmental resources for the society when properly linked.

While the conventional banks target people who possess pay slips as proof of employment and collateral as security for loans its working, the informer financial institution hope for many poor households do not have limit to the people serve. This is irrespective of whether they have collateral as surety not. For the banking sector, collateral plays an important role because it insures repayment if the borrower's income is insufficient. This carries with it the transaction and administrative costs of interest rates, and the costs of acquiring information about the borrower.

The Banking industry has two important economic functions. First, it operates a payment systems and every modern economy cannot function without a good and efficient payment system. And most of our financial obligation is carried out by recording – writing and documenting the financial transactions since of the financial transaction involves huge amount of



capital. The second very important function of the banking industry to human development is that it serves as intermediation in the creation of loans and credit to individuals, household and government enterprise.

A simple-theory show, that banking starts out to serve the needs of sovereign government and the privileged class. This was also the case of Wema bank and the western regional government in post-colonial Nigeria. the bank and the government were connected in the areas of commerce, economy, social security, government finance in education, communication (radio and television) next transport, including shipping, canals and railroads, then in industry such as manufacturing, mining, extracting processing and finally, intermediation in insurance, mortgages, consumer finance, factoring, pension funds, and the like. This is while everyone at all time, whether consciously or unconsciously is being drawn into the relationship and the effect of banking services.

The occasional difficulties associated with the recovery of loans and credits especially unsecured bring about the need for sanctions in form of measures to regulate practice of loans, credit, and the cases of bad debts. The relationship between the borrower and lenders, creditors and the debtors, not just served but enhanced and maintained by the bank. This had been the practice with *esusu* and the rotary saving system in the pre-colonial era up to the present.

The collateral functions of banks as the goal-post in the supply of money, credit facilitate, minting, credit rate, the flow of money, has had impact on lives and the development of the nation especially the western regional part of Nigeria. This explains the need for money and financial institutions especially the banks in every sovereign nation. The innovation in maintaining orderliness through sanctions in the effect of money in human relationship led to

essential impact that would be discussed in two broad headings of legal and the writing system inform of education.

## **6.2 The Relationship between Banking and the Legal System**

One of the natures of banking is that it is a financial institution that functions both as a trade and a profession. It is a trade involving mainly the buying and selling of services and the main input which is the professionalism of its human dealings in financial resources. The fact that Wema bank takes deposits, loaned money, and made payment possible – this explains it needed for a legal department as a registered entity so that can sue and be sued whenever is friction in the system.

Around 1220, when a new term interest was coined probably to replace usury charges from early moneylenders: financial institutions needed a strong legal back to function properly. In cases where the practice was illegal, it would be called usury. The word “interest” derived from the Latin verb “intereo” means to lose, is the compensation or a charge made for a long loan or credit facility, or a payment made by bank for the use of money deposited in an account or loss that a creditor incurred during lending<sup>196</sup>. Therefore, the bank gets some compensation for loan advanced out while it also pays interest to their depositors. The default in the management of interest could lead to friction which requires the regulation of the legal services and the growth or importance attached to legal profession in Nigeria especially among the people of southwestern Nigeria<sup>197</sup>.

Hence, one can say that a bank as in any other sovereign nation like, Nigeria is influenced by two basic classes of forces which include government behaviour and laws regulating it

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<sup>196</sup> J. M. Johannes, Banking, Microsoft Corporation, <http://.bankrate.com>

<sup>197</sup>The first Lawyer in Nigeria Sapara Williams is from this region; this may also explain why every house in the region has and desire to have more people in the legal and banking professions than any other region.

function. The legal aspect of the bank, refer to the scope of banking regulations and ordinance through legislations and guidelines issued by regulatory agencies. The economic forces are reflected and represented by the extent to which the demand for banking products and services influence or determine the number and sizes of banks and in some senses, boast the growth of the legal profession in Nigeria. Both legal and economic forces can affect each other, and it is their combination that determines the nature, structure and the mode of operation of the banking system in any country. This thus, makes bank a legal entity that can sue and be sued.

Tied to this, the bank developed ethics, a body of principles and measures, that help to ensure values, norms and rules that govern individual social relations, is maintained at the higher level for the proper functioning of the banking institutions. From a moral viewpoint which is essentially based on the parameters of right-and-wrong, good-and-bad. Professional ethics regulates the relations between an institution with the rest of other institutions in the society, while corporate ethics identifies a corporate behavior culture by introducing certain rules in dealing with the problems stemming from inside or outside the organization are both needed in the banking system.

In this regards, cases legal involving the bank and its clients such as Agbonmagbe bank versus Oduote, Agbonmagbe versus C.F.A.O in 1957, Agbonmagbe Bank and Mrs. Esther Amushan had to be settled by legal action. The fact that banks are social and economic organizations which fulfill certain investment and saving functions by playing an integrating, fiduciary, and intermediary role between the credit/loan-supplying and finance-demanding parties of the society, as part of their profitability and productivity principles, obliges them to stick to ethical principle in their operations. If we want to realize our general objectives of growing our banking system, raising the banks' service quality, using the resources most

appropriately, and preventing undue liquidation and bad debts of banks; there is therefore, need to formulate and regulate the relations of the banks with each other and with other organizations as well as their relations with their customers, shareholders and employees in line with ethical principles which can only be guaranteed by a sound legal system.

The need for legal action against financial insolvency, friction and disagreement on money is not new development. Due to the difference between surplus and scarcity as the impetus to lending and borrowing, and the occasional default in mutual trust and confidence to pay back, had overtime led to the need for sanctions. Even before the 20<sup>th</sup> century introduction of the imperial banks in Nigeria there were cases of defaults in fulfilling repayment obligations. According to Johnson:

“The Yoruba have a peculiar method of forcing payment of out an incorrigible debtor. When a creditor who has obtained judgment for debt finds it impossible to recover anything out of the debtor, he applies to the town authority for licensed distrainor. This individual is called Ogo, he is said to d’ogo ti that is to sit on the debtor (as it were). For that purpose the distrainor enters the premises and seeks out the debtor, or ensconces himself in his apartment until he makes his appearance, and then he makes himself an intolerable nuisance to him and the members of the house generally until the money is paid.<sup>198</sup>

This method is similar to the practice among the Akoko, as narrated by informant: default in debt payment is said to attract a more draconian method such as the seizure of valued property, and in a situation whereby the debtor does not have valuable, the creditor with the permission of the authority raid any domestic animal preferably a goat and the debtor bears the consequence of payment to the owner of the animals.<sup>199</sup> This system of sanction and regulation on religious rite and law of the people broke down as new towns grew and older one became

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<sup>198</sup> S. Johnson, *The History of the Yoruba*, C.S.S Bookshop, Lagos, 1969, P.130-131

<sup>199</sup> Chief Adelemoni, Retired Civil Servant, age 70+ interviewed 22 November 2013, Ibillo

heterogeneous and more importantly, due to colonial conquest. Religious sanctions were weakening and authorities were losing their grips on society, there was the need for a more formal legal regulation as against the principle mutual trust that would conform to the imperial banking system introduced in 1892.

There are cases of litigations and sharp practices relating to financial institutions especially moneylender and banking institutions which in some cases, led to insolvency of some banks during and after the colonial era in Nigeria. This would explain the choice of legal profession, and the prevalent of practitioners in tandem with the introduction of banking institutions in Southern Nigeria especially the south-western region.

### **6.3 The Bank and the Growth of Education in Southwestern Nigeria**

There had been strong relationship between banking system and the development of writing in the world. Transactions involving large sums had to be documented. Writing and documentation had gained impetus from practices borrowing and lending in southwestern Nigerian area. The desire for education especially among the Yoruba had ultimately led elaborate Numismatic Numerals and much more latter, enabled the pursuit of free universal basic education introduced in the Western Region.

The banking system continued to play positive impact on the welfare and development of the nation and the people in southwestern Nigeria. Of note is that from 1914 – 1940s, the economic slump and depression of the late 1930 and 1940 had a considerable effect on educational development. The shortage of finance affected all aspect of human endeavour. Little development therefore, recorded in secondary education during the period between 1920's and early 1940's. But with the new constitutional arrangement in the 1950's education became a regional subject with the Macpherson's constitution.

**Table 2: Number of Schools in the Western Region by Types in 1961 – 1966**

Types	1961	1962	1963	1964	1965
Primary	6,468	6420	6311	4374	4364
Secondary modern	586	666	699	459	441
Secondary Grammar	177	189	212	174	441
Grade iii, Teacher's training T.T	69	69	53	38	--
Grade ii T.T	33	36	35	30	33
Grade I	--	--	1	1	1
Advance T.T	--	--	2	3	2
Vocational school	4	5	5	5	5
Junior schools	--	--	--	--	6
Technical institution	--	--	1	1	1
School for the handicapped	--	--	2	3	3

Source: Annual Abstract of Education statistics of Western Nigeria, 1961 – 1966 (Ibadan, Ministry of social development, statistics division, 1961 -1967)

Regions especially in the Western Nigeria initiated plans and execute its educational programmes in line with the development of education as the hallmark for individual and societal development. As such, in the western region there was the introduction of universal primary education programme which influence the scope of education beyond the colonial concept. Such that by the 1959 there were 420 modern schools, and 97 teacher training colleges, 138 grammar schools in the region.

Not same can be say about the success in eastern region, though there too, saw the growth and expansion of educational frontiers. A success that can be associated with the banking institution in the western region is the introduction and the success of free universal education. The number of school enrolment and intake increased from 3,904 in 1956 to 4,804 in 1959.<sup>200</sup>

This was a far departure from the colonial experience which after a period of almost 100 years, the Nigerian state could only boast of one university college, one technical institute, 8 trade centres, 137 teacher training centres, 120 secondary and 9,493 primary schools most of these run and managed by Christian churches, 290 government sponsored scholars in British universities as compared to 1,310 private student up to 1952. In the same period, there were only 161 hospitals and 95 doctors even though; revenue had grown from £5m in 1904 – £200 million in 1952. There were only 12 daily newspapers, 41 commercial cinemas, 146 post offices, and 28,000 miles of motor roads and 1903 miles of railways.<sup>201</sup>

Therefore, acknowledging the assertion that no people can develop as a nation without a strong financial institution especially the banking institution, lead to built of strong relationship between the Regional Marketing Board and the banking institutions in the 1950's. This synergy

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<sup>200</sup> A.A. Adeyinka, "The Development of Grammar School Education in the Western States of Nigeria 1908 – 1968." Unpublished M.Ed. Dissertation Submitted to University of Ibadan. Ibadan 1971

<sup>201</sup> M. Okoye, *Storms on the Niger*, A Story of Nigeria's Struggle, Eastern Nigeria Printing Corporation, Enugu, 1981, P. 20

between the dyad brought about fundamental development in the southern Nigerian area especially the former Western Region. Government investment in National Bank of Nigeria and the Wema Bank opened the avenue for first, branch expansion of the banks and second, the mobilization of needed capital and huge fund for the success of the educational policy especially the policy of free and universal education in the region. The scheme launched on 17<sup>th</sup> January 1955 was a major step in the development of manpower for industrial and economic development of not just the western region, but of Nigeria at large<sup>202</sup>.

By the mid-twentieth century, it could be argued that western literacy had, to some extent, been firmly rooted in the Western Nigeria Region. This was due to the activities and efforts of Christian mission and to a lesser extent, colonial government. But the objectives of the education provided were purely for evangelism and to serve colonial interest. The significance of the period 1950's was the marked transition from colonial to independent status in Nigeria. The period generally tagged as the decolonization period. Following the decolonization process, and a spirited effort at development, Awolowo acknowledges the importance of the banking institution and moved to strengthened them by investing in the banks to meet their capital requirement in 1952 for the general development of the people. As stressed in the budgetary speech:

as far as possible, expenditure on services which tend to the welfare and health and education of the people should be increased at the expense of any expenditure that does not answer to the same test.<sup>203</sup>

It was not a coincident that barely two years of governments' investment in the banks, saw a remarkable feature of educational reform and the rapid numerical growth of the banks'

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<sup>202</sup> See S. O. Awokoya, "Proposal for Education Policy for the Western Region of Nigeria", Government Printer 1952

<sup>203</sup> Awolowo, O. Awo: *The Autobiography of Chief Obafemi Awolowo*, Cambridge: Cambridge University Press, 1960. P. 263



branches and schools at all level – primary, secondary (modern and grammar) as well as tertiary. Primary school especially increased from 3, 550 in 1952 to 6, 274 by the end of 1954; by the end of 1958, the number was as high as 6,670. Commenting on the education venture of the Western Regional Government during the 1950s, Sklar opined: “Possibly no single decision of the decade prior to independence had been more fateful for the development of the political economy of Nigeria [like the pursuit of education development in Nigeria].”<sup>204</sup>

Viewed in this way, all expenditures on education can, to a great extent, be justified in terms of the potential contribution of banking institutions to economic growth and overall national development. In a nutshell, therefore, the Free Education scheme in Western Nigeria in the period 1952-1966 should be seen as a form of social and economic investment, the benefits of which seem to justify the enormous sums of money spent on it. Some of these benefits are discussed below.

**Table 3: Comparison of Recurrent Education Budget, 1954 – 66**

Year	Actual Education recurrent Budget (£)	Actual Regional Recurrent Budget (£)	% of Education spending at Region
1954 -55	3,806,745	9,283,690	41.0
1955-56	3,873,305	11,366,931	34.0
1956-57	4,496,201	15,522,128	28.9
1957-58	5,506,880	14,288,000	38.5
1958-59	5,616,687	13,604,163	41.2
1959-60	7,161,303	22,152,351	32.3

<sup>204</sup> Sklar, R.C. *Nigerian Political Parties: Power in an Emergent African Nation*. Princeton, NJ: Princeton University Press, 1963, P.419

1960-61	8,773,325	22,769,880	38.5
1961-62	8,548,829	21,798,923	39.2
1962-63	8,891,921	24,948,913	35.6
1963-64	6,206,949	18,191,071	34.1
*1964-65	6,554,640	16,946,310	38.6
*1965-66	7,048,530	19,861,290	35.4

\*Government Approved Estimated Expenditure.

**Source:** Some Trends in Education in the Western Region of Nigeria 1955 – 65 (Pilot Project for Rural Employment Promotion (International Labour Office Mission, Ibadan, Western Nigeria, October 1965) p. 17

Increases in school enrolments throughout the entire duration of the scheme, no doubt, brought positive advantages. Among other things, it provided a wider base from which the industries: banking, legal, schools, news/broadcasting media and teacher training colleges, manufacturing, transport, technical works, music and entertaining, health and others drew their new entrants. This in turn quickened the pace of developing the middle-level manpower and professional in the area. The institutions of higher education also benefited. So did the labour market and the economy. On the basis of the above, it follows that a growing proportion of the population of Western Nigeria was likely to make better materials for the development of the region.

In all, the synergies between the banking institution and general development in the economy of the western Nigerian become obvious in the monumental success of the educational advancement. The increasing patronization of the legal profession is not unconnected to the fact lawyers it would appear, run most of our businesses as most of companies involve human

relations and infraction and defaults in and also in the numbers of the of debts and legal cases in relations to money and other financial issues.

## GENERAL CONCLUSION

Money, people say, is the root of all evils. There is no doubt; that the monetization of the economy of southwestern Nigeria brought its own good and ugly side to region. Evidences show that the societies of Southwestern had developed an elaborate culture of money, politics and savings institution among the pre-colonial societies in the area. The culture, has built in the people the spirit of entrepreneurship and resilience. Therefore, it was not surprising that even at the climax of colonial domination, the people showed resilience and belief in the ability to be free. It was the desire for freedom from any form of restriction in the access to money and credit that led to the development of economic institutions.

Realizing the importance and the need for national institutions, especially the financial institutions, led to the establishment of Wema Bank with the aim of providing financial liberation and credit facilities to the people in the region. It is even least surprising that around 1945 an individual could establish a bank that survived not only the colonial banking ordinance. But also survived several post-colonial banking reforms to remains the oldest indigenous bank in Nigeria today.

Of course for the establishment of an institution like a bank, at the high-noon of colonial domination is a sign of imaginative ingenuity combined with a burning desire such as the love of independence, a feeling of industriousness, a keen commercial spirit, a desire to overcome economic difficulties in meeting societal obligation. It was a show of an indefatigable enterprise, the quality of being never able to admit or consent to defeat, were some of those qualities peculiar to the founders of Wema Bank. This explains the courage to form a bank, in spite of the presence of other colonial banks with high capital base operating in the country.

The Okupe family was indeed, pace-setter in their enthusiasms for national institutions as form of protest to colonial rule in the country. Their enthusiasm for the success of the institution goes a long way to show that financial machineries were more desirable to grow any elaborate economy activities as a country grows in productive capacity. This was due to the high use or the culture of money in the pre-colonial economy, and their geographical location close to Atlantic Ocean. No doubt that there was borrowing of some ideas and innovations from the imperial practices blended with the indigenous crediting system to form the indigenous banking practices that broke the colonial myth of Africans lack of creditworthiness.

Bank is identified to play indeed, very important roles of “credits mobilize” in stimulating rapid industrial expansion. It also plays the mobilizing and allocating liquid resources in the economy. The development of financial intermediary such as bank accelerates economic growth and improves economic performance in southwestern Nigeria to the extent that it facilitates the migration of funds to the best users who in turn, invested in developmental businesses. That is, to the place in the economic system where the funds will find the highest social return for the general public.

This explains why twice the bank was faced with distress challenges the government of Western Region, did not only aided the bank but also ensure its survival at the critical period. Also ensuring that the bank transforms to continue its essential financial services to the people and the government, eventually led to its takeover of the bank in 1969.

The experience of the bank and the 1962 enquiring in to the affairs of the bank by the federal government shows banks may or may not make a positive contribution to economic development, depending not on qualities of the banks, or the bankers but on the “structural characteristics of the system. In the case of a state, certain behaviour, structure, especially the

government regulations, laws and managements and the general political economy would to a very large extent, determine the role the bank performs.”

Financial institutions are needed not only to balance the savings and investments of individual entrepreneurs through time, and to transfer finance capital from savers to investors, but to effect payments and transfer savings over distance. Banking and financial institutions perform a medium-of-exchange function and an interspatial store-of-value function, in addition to the general store-of value function for savers and allocator of investment among entrepreneurs.

The formation of Wema bank in Nigeria as the second indigenous bank did not fall short this role. It helped the government of the western region in accomplishing its set agenda for the development of the region; it stimulated the spirit of enthusiastic entrepreneur in the southwestern Nigeria. It had endured many reforms and survived many banking ordinance and legal challenges, but its existence owes to many factors in political, economical and social need of the people.

Its nature is unique in the sense that it started as the first indigenous bank established by an individual, then government controlled and then a public limited liability. The success of the bank is built on the philosophy of creating and nurturing relationships through professionalism, trustworthiness, service excellence, mutual respect, and integrity. Accessibility, to the public for their financial need, dependability and much more its close alliance with the government of western region during colonial post colonial time is a strategy in its survival.

Like every enterprise, the story of Agbonmagbe now Wema bank is a triumph of dream, passion, professionalism, perseverance and luck which translates as a God blessing. From the imperial banks which dominated the banking scene to the colonial government which did not see

any need or desirability of indigenous bank licensed in the country, Agbonmagbe overcame many challenges and flourished to remain as Wema Bank one of the oldest bank in Nigeria today.

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Mr. Adelemoni O.	A retired Civil servant	73	13 <sup>th</sup> July, 2013	Owo
Mrs. Abi Omotula	A trader	63	13 <sup>th</sup> July, 2013	Epe
Chief Ojowo Sesan	A Retired Officer of Nigerian Army	70	14 <sup>th</sup> July, 2013	Owo
Abukare Forti	A farmer/ <i>esusu</i> collector	60+	25 <sup>th</sup> July, 2013	Ibillo
Mr. Cletus Archibong	Money lender	65+	27 <sup>th</sup> July, 2013	Ekakumo
Helen Ovietimi Akirika	Retired civil servant/isuo collector	68	30 <sup>th</sup> July, 2013	Ilaje
Chief Okuboyejo, O.	Former Executive Director, administration of Wema Bank	80+	13 October, 2013	Lagos
Smith Adeyemi	A retired Banker	70	22 October, 2013	Lagos
Oyedipe, A.	Trader	65	14 October 2013	Lagos
Odusanya, T.	Businessman	63	18 <sup>th</sup> October, 2013	Lagos



Mary Esther Okebolanle	Money lender	70+	25 <sup>th</sup> June, 2013	Ibadan
Pius Alaba	Retired banker	63	4 <sup>th</sup> October	Lagos
Mrs. Adeoti Bolawe	Money lender	70	16 <sup>th</sup> October	Lagos
Mr. Adeyemi Momoh	Trader	66	4 <sup>th</sup> November	Ibadan
Mary Owolabi	Trader	67	1 <sup>st</sup> November,2013	Ibadan
Mr. Idowu Ogedegbe	Farmer/trader	67+	15 <sup>th</sup> November, 2013	Shagamu
Mr. S. Oke Obasanjo	A Businessman	62	20 <sup>th</sup> November, 2013	Zaria

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## Appendages

### Appendage 1

#### Yoruba Ordinary and Numismatic Numerals (the first one Hundred)

Number	Simple Numbers in Yoruba	Cowries	Mathematics/calculation
1	eni	ookan	1
2	eji	eeji	2
3	eta	eeta	3
4	erin	eerin	4
5	arun	aarun	5
6	efa	eefa	6
7	eje	eeje	7
8	ejo	eejo	8
9	esan	eesan	9
10	ewa	eewa	10
11	okanla	ookanla	10+1
12	e jila	eejila	10+2
13	étala	eetala	10+3
14	erinla	eerinla	10+4
15	edogun	eedogun	20-5
16	erindilogun	eerindilogun	20-4
17	etadilogun	eetadilogun	20-3
18	ejidilogun	eejidilogun	20-2
19	okandilogun	ookandilogun	20-1

20	ogun	okowo	20
21	okanlelogun	ookanlelogun	20+1
22	ejilelogun	eejilelogun	20+2
23	etalelogun	eetalelogun	20+3
24	erinlelogun	eerinlelogun	20+4
25	edogbon	eedogbon	30-5
26	erindilogbon	eerindilogbon	30-4
27	etadilogbon	eetadilogbon	30-3
28	ejidilogbon	eejidilogbon	30-2
29	okandilogbon	ookandilogbon	30-1
30	ogbon	ogbowo	30
35	arundilogoji	aarundilogoji	40-5 or (20x2)-5
40	oji	ogoji	20x2
45	aarundiladota	aarundiladota	[(20x3)-10]-5
50	adota	aadota	(20x3)-10
55	arundilogota	aarundilogota	(20x3)-5
60	ogota	ogota	20x3
65	arundiladorin	aarundiladorin	[(20x4)-10]-5
70	adorin	aadorin	(20x4)-10
75	arundilogorin	aarundilogorin	(20x4)-5
80	ogorin	ogorin	20x4
85	arundiladorun	aarundiladorun	[(20x5)-10]-5
90	adorun	aadorun	(20x5)-10

95	arundilogorun	aarundilogorun	$(20 \times 5) - 5$
100	ogorun	ogorun	$20 \times 5$

Appendage ii: Yoruba Numerals (some larger figures)

Numbers	Yoruba cowries enumeration	Mathematics/calculations
110	aadofa	$(20 \times 6) - 10$
120	o gofa	$20 \times 6$
130	aadoje	$(20 \times 7) - 10$
140	ogoje	$20 \times 7$
150	aadojo	$(20 \times 8) - 10$
160	ogojo	$20 \times 8$
170	aadosan	$(20 \times 9) - 10$
180	ogosan	$20 \times 9$
190	ewadinnigba	$(20 \times 10) - 10$
200	igbiwo	$20 \times 10$
210	ewalerugba	$(20 \times 10) + 10$
220	ogunlugba (or okolugba)	$(20 \times 10) + 2$
230	ogbonwolerugba	$(20 \times 10) + 30$
240	ojilugba (or ojilerugba)	$(20 \times 10) + 40$
250	aadotalerugba	$(20 \times 10) + (20 \times 3) - 10$
260	otalerugba	$(20 \times 10) + (20 \times 3)$
270	aadorinlerugba	$(20 \times 10) + (20 \times 4) - 10$
280	orinlugba	$(20 \times 10) + (20 \times 4)$

290	aadorunlerugba	$(20 \times 10) + (20 \times 5) - 10$
300	odunrun	$20 \times (20 - 5)^*$ or $(20 \times 20) - 100^{**}$
400	irinwo	$20 \times 20$
500	eedegbeta	$(200 \times 3) - 100$
600	egbeta	$200 \times 3$
700	eedegberin	$(200 \times 4) - 100$
800	egberin	$200 \times 4$
900	eedegberun	$(200 \times 5) - 100$
1 000	egberun	$200 \times 5$
1 100	eedegbefa	$(200 \times 6) - 100$
1 200	egbefa	$200 \times 6$
1 300	eedegbeje	$(200 \times 7) - 100$
1 400	egbeje	$200 \times 7$
2000	egbewa	$200 \times 10$
2400	egbejila	$200 \times 12$
2500	egbetala-din-ogorun	$(200 \times 13) - 100$
3 500	egbejidinlogun-din-ogorun	$(200 \times 18) - 100$
4000	egbaji	$2000 \times 2$
4 500	egbetalelogun-din-ogorun	$(200 \times 23) - 100$
5 000	egbedogbon	$200 \times 25$
5 500	egbetalelogbon-din-ogorun	$(200 \times 33) - 100$
6000	egbata	$2000 \times 3$
7 000	edegbarin	$(2\ 000 \times 4) - 1\ 000$

8 000	egbarin	2000x4
9 000	edegbarun	(2 000x5)-1 000
10000	egbarun	2000x5
20 000	egbaawa	(or oke kan) 2 000x10
30000	eedogun	2000x15
40 000	egbagun (or oke meji)	20 000x2
1 000, 000	egbegberun	1 000 x 1 000

Important Note: in Yoruba numismatics/calculation is based on a system of contraction, elision, and euphonic assimilation. Different terms are used for one to ten then for 20, 30, 200, and 400; the rest are multiples or compounds of numbers. Thus 11, 12, 13 and 14 are reckoned as ten plus one, plus two, plus three and plus four. From 15 to 20 are calculated as 20 less five, less four, less three, less two, less one, and then 20.

In the same way we continue 20 and one, to 20 and four, and then 30 less five (25), less four, and so on to 30, and so for all figures reckoned by tens. There is no doubt that the digits form the basis of enumeration to a large extent, if not entirely so. Five, ten, twenty, i.e., the digits of one hand, of two, and the toes included, and their multiples form the different stages of the enumeration.

Beginning from the first multiple of 20 we have ogoji, a contraction of ogun meji, i.e. two twenties (40), ogota, three twenties (60), ogorin, four twenties (80), ogorun, five twenties (100), and so on to ten twenties (200), when the new word igba is used. The intermediate numbers (30 having a distinct terminology) 50, 70, 90, 110, 130 to 190 are reckoned as: 60 less ten (50), 80 less ten (70), a hundred less ten (90) and so on to 200.

The figures from 200 to 2,000 are reckoned as multiples of 200 (400, however, which is 20x20, the square of all the digits, has a distinct terminology, *irinwo* or *erinwo*, i.e. the elephant of figures - meaning the highest coined word in calculation, the rest being multiples).

Thus we have *egbeta*, a contraction of *igba-meta*, i.e. three two-hundreds (600), *egberin*, from *igba-merin*, four two-hundreds (800), *egberun*, is five two-hundreds (1,000), and so on to *egbewa*, means ten two-hundreds (2,000), which in its turn forms the basis of still higher calculations.

The intermediate figures of 300, 500, 700, 900, 1,100, to 1,900 are calculated as 100 less the multiple above them, viz., *odunrun*, contracted from *orun-din-ni-irinwo*, i.e. 100 less than 400 (300), *orun-din-ni-egbeta*, 100 less than 600 (500), *orun-din-ni-egberin*, 100 less than 800 (700); and so on to 2,000. The long term *orun-din-ni* (*egbeta*, *egberin* and so on) is contracted to *ede* or *ode*, e.g., *edegbeta* (500), *edegberin* (700), *edegberun* (900) and so on.

But the multiples of 200 do not end with ten times, although that figure is the basis of the higher calculations, it goes on to the perfection (or multiple) of the digits, viz.: twenty times (two hundred); thus we have *egbokanla*, that is *igba mokanla*, 11 two-hundreds (2,200); *egbejila*, twelve two-hundreds (2,400), and so on to twenty two-hundreds or *egbaji*, that is, twice two thousand (4,000). With this ends the multiples of 200.<sup>205</sup>

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<sup>205</sup> Op'cit, A. G. Adebayo, Money, Credit, and Banking in Pre-colonial Africa: The Yoruba Experience, *Journal of Anthropos*, Bd. 89, H. 4. /6. 1994, P.381, see also, J. Samuel, A History of Yoruba, 1961, iv

MAP 1: MAP OF NIGERIA SHOWING LAGOS STATE

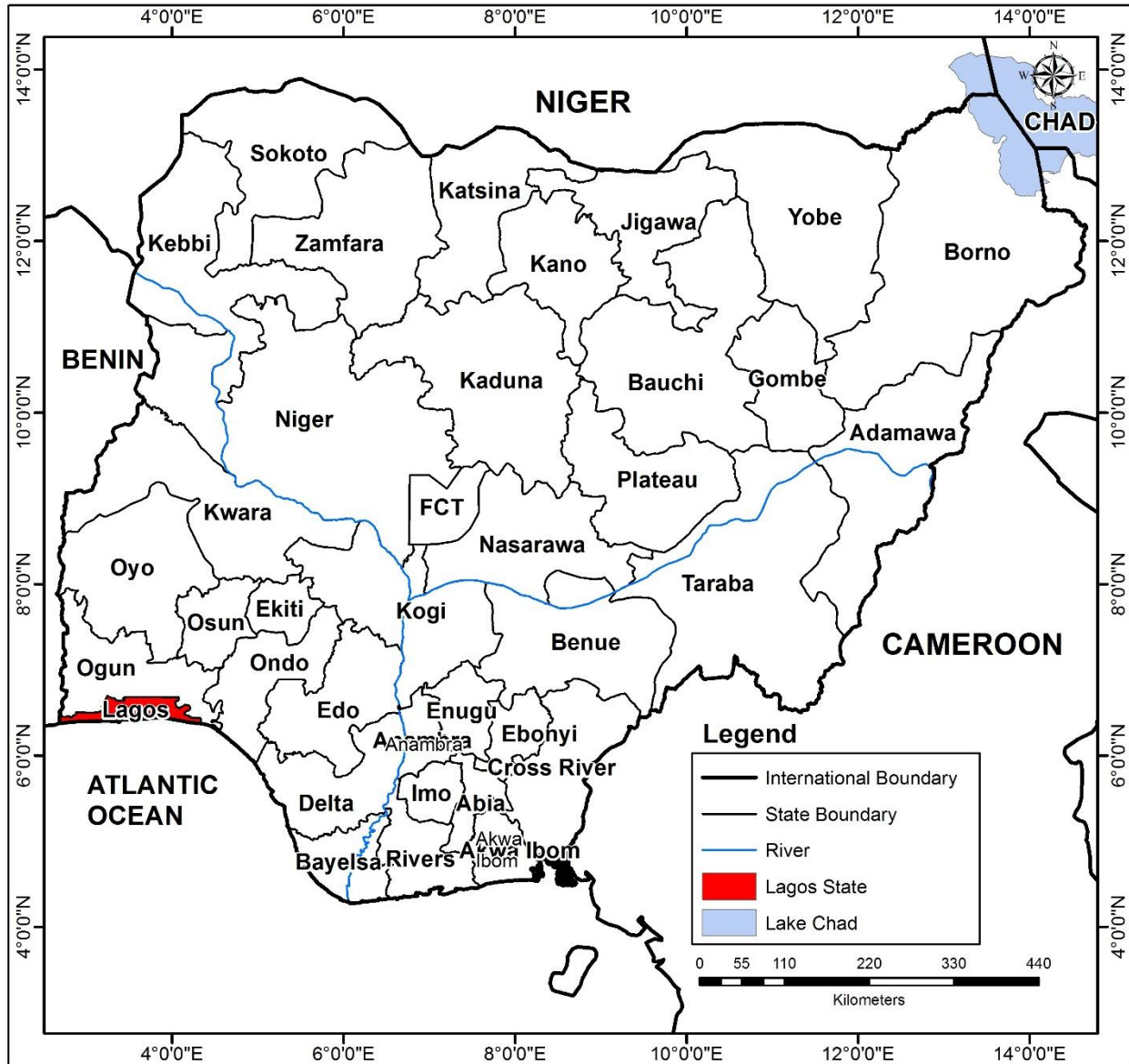


Figure 1: Map of Nigeria showing Lagos State

Source: Geography Department, A.B.U. Zaria

MAP 2: MAP OF WESTERN NIGERIA WITH MID-WEST REGION OF BENIN AND DELTA

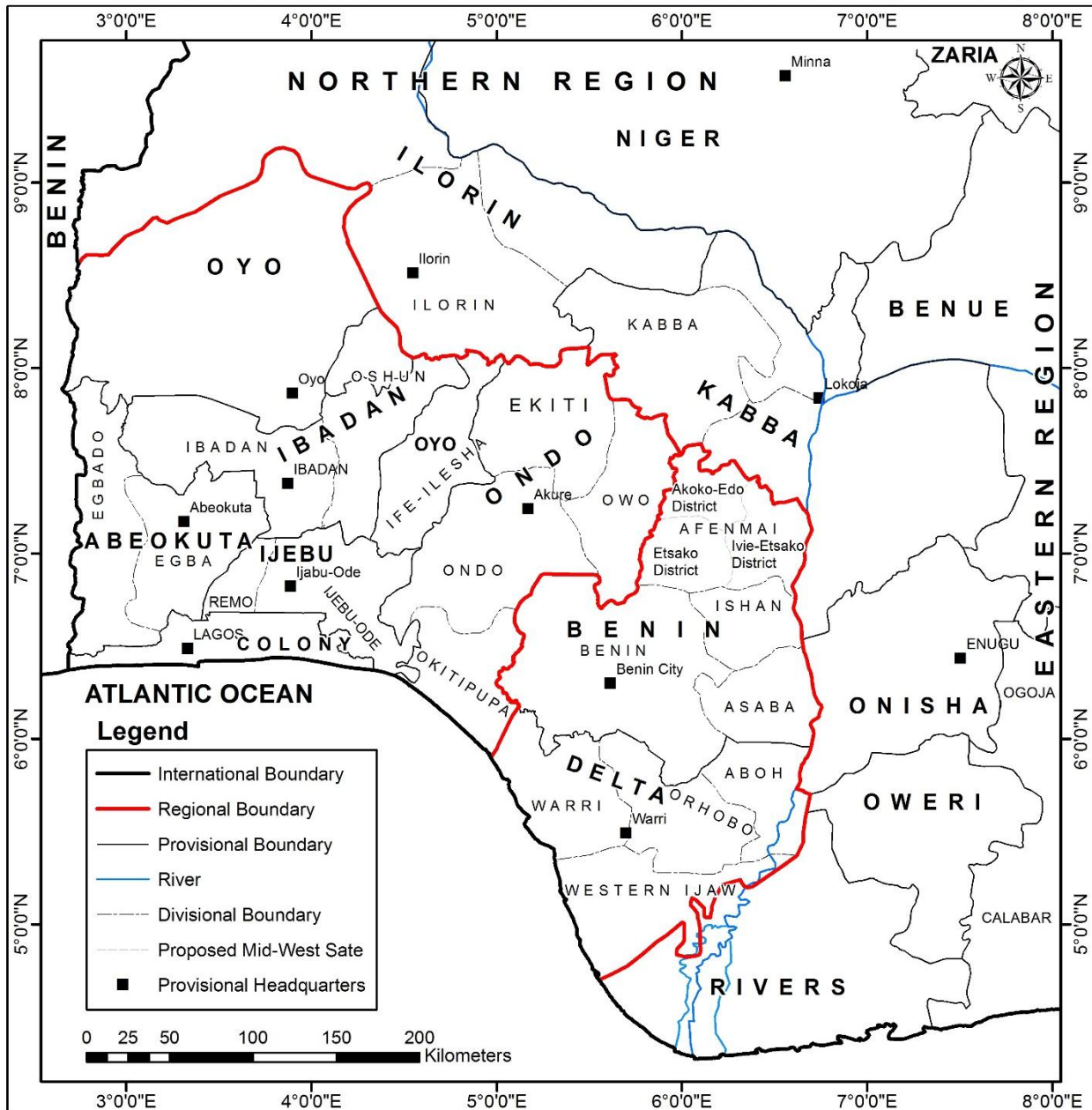


Figure 2: Map of Western Nigeria with Mid-West Region of Benin and Delta

Source: Ministry of Lands and Survey, Benin



MAP 3 MAP OF LAGOS SHOWING EBUTA-META

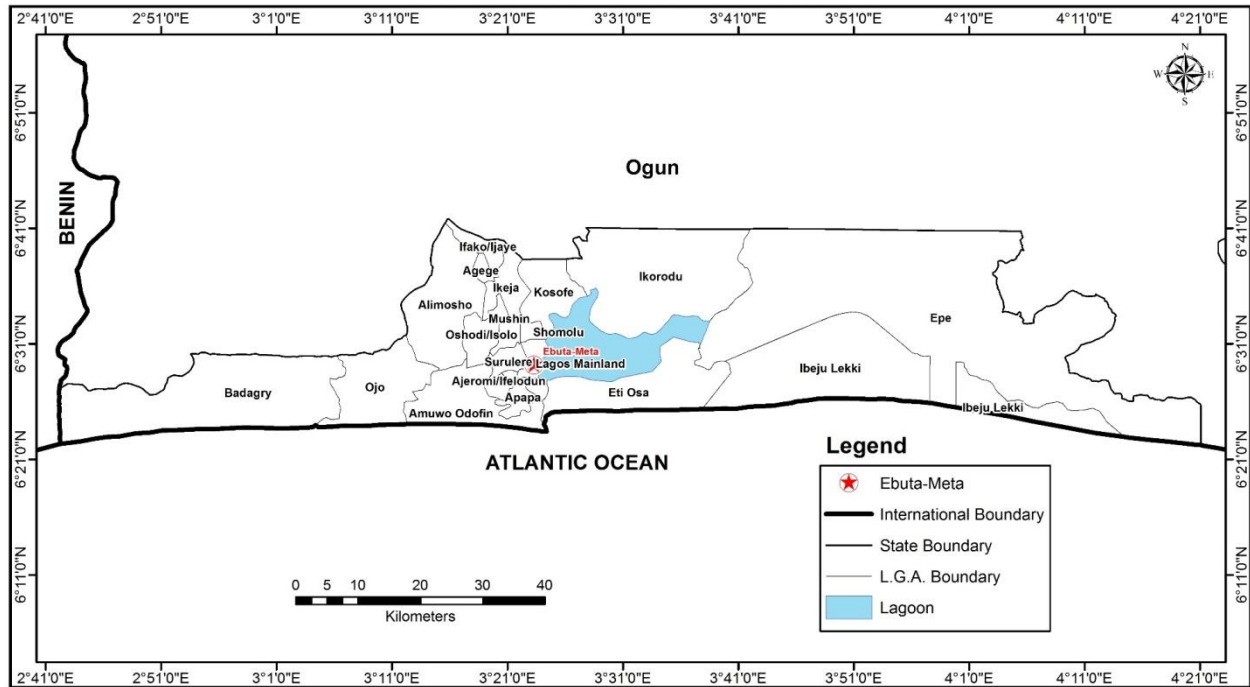


Figure 3: Map of Lagos State showing Ebuta-Meta

Source: Geography Department, A.B.U. Zaria