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INDIGENOUS CAPITAL FORMATION INSTITUTIONS AMONG THE IGBO: FACTORS FOR CHANGE, 1914 2014.

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ABSTRACT: *For some time now, there has been a growing concern on how the ordinary man and woman in the town and rural communities of Africa can raise capital to start some micro-business and, thus, reduce poverty, and improve his or her standard of living. Within the period covered by this paper, successive governments and financial institutions have tried to address this challenge with little or no success. However, specifically for capital formation among the Igbo of southeast Nigeria, there exist traditional institutions through which the people raised resources to attend to their community and individual needs. These include, among others, Contribution Clubs, Family and Extended Family Pools, Age Grade Associations, Title Taking/Societies, Pawning, Inheritance, Land/Economic Trees Pledging,* ***Imachi Nkwu*** *and other Fruit Trees,* ***Ilu – Elulu*** *(Keeping Custody of Domestic Animal) and* ***Ili – Ichi*** *(Burial of Umbilical Cord). Consequently, this paper surveys those aspects of the traditional economic institutions that have become changed, transformed, or modified. Both internal and external forces have affected the traditional institutions for capital formation among the Igbo of southeast Nigeria, mostly by the later. This has caused the indigenous finance institutions to become altered from their original states. The paper concludes that in spite of the changes and modifications that had occurred overtime, the indigenous finance institutions have continued to exist. The descriptive and analytical methods were adopted in writing this paper. The period covered is 1914 to 2014.*

KEYWORDS: indigenous, capital formation, institutions, Igbo, change

Introduction

This paper surveys those aspects of the traditional institutions that enhanced capital formation among the Igbo of Southeast Nigeria, which have become changed, transformed or modified. Both internal and external forces have affected these traditional institutions, mostly by the later. Thus, these institutions have been altered from their original forms. In spite of the changes and modifications that have been occurring overtime, these institutions have continued to exist. To understand the factors responsible for the changes, the work will examine essentially colonialism and colonial establishments. Colonialism is the "practice of ruling nations as colonies: a policy in which a country rules other nations and develops trade for its own benefit".[1] Among the major forces established by British colonialism that affected these institutions were Christianity and Western education, urbanization and new economic opportunities. The scope of this article covers the five Igbo States of Southeast Nigeria, namely, Abia, Anambra, Ebonyi, Enugu and Imo. The paper will now discuss the factors responsible for change in the indigenous institutions.

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Christianity and Western Education

The advent of colonialism in Igboland brought about some institutions, establishments and laws, which challenged the monopoly and even threatened the continued existences of traditional institutions for capital formation among the people. Christianity changed the status quo in religious and indigenous institutions in Igboland. The missionaries came with their religion and teachings that were alien and new to the people. They were able to convert some people, and acquired lands for their missionary work.

The missionaries pursued their conversion of the local people based on their European ideals without considering the indigenous culture and traditional institutions of the people. Damachi observed that, "Christianity was confused with Western civilization. The Nigerian was to be remade in the image that the missionaries brought with them". [2] Besides, Christianity was allowed to operate freely by the colonialists without any form of restriction, to the detriment of indigenous institutions. Traditional institutions and attitudes in Eastern Nigeria were left open to missionary propaganda and this had disastrous effects[3] on the indigenous institutions. It seemed that one of the major aims of the Christians was to replace the indigenous institutions with the European ones, thus, they did not spare any opportunity to discredit the traditional institutions. They admonished and forbade converts from participation in traditional institutions' activities, describing them as heathen, fetish, among other derogatory terms.

Example of the traditional institutions that were victims of aggressive missionary attacks, which the colonial lords sought to replace with colonial institutions, included among others, titled societies – **Nze, Ozo, Okonko** and **Ezeji**. Christian missionaries by preaching against indigenous titled societies struck at the fabrics of the institutions for capital formation. By their attacks, converted indigenous Christians pulled out from these titled societies and thereby reduced their numbers, and with it the amount of money that could be pooled together for investment. Buttressing the economic consequences of the missionary activities on these titled societies, it was observed that the:

Declining membership inevitably led to loss of revenue on the part of old members most of whom had borrowed money or used their shares of the Isusu institutions to join these societies. These had far-reaching consequences for the individuals, their families and their status.[4] However, despite the missionaries attack on these indigenous institutions for capital formation, the traditional institutions did not come to their end. The taking of these titles have survived, and continued even up to the present day (2020). An example is the **Nze/Ozo** title, which has continued to exist in parts of Anambara, Ebonyi, and Imo States. This title has continued to strive till date due to its leadership and economic benefits. The same applies to other titled societies.

Western education, a by-product of Christian missionary enterprise, was another factor responsible for the changes that affected indigenous institutions for capital formation among the Igbo of southeast Nigeria. The missionaries used the channel of education to propagate Christianity, criticize the indigenous social institutions, and introduce Western norms and institutions. Christianity and Western education were interwoven. The people saw the church as a means of acquiring Western education and the church saw Western education as a means of converting the people. Besides, the same personnel were used in both institutions. In the words of Victor Murray, "To all intents and purposes, the school is the church… the two are

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one, and the village teacher is also the village evangelist".[5] Therefore, most of the negative effects of Christianity on institutions for capital formation among the **ndi-Igbo** can also be said of Western education.

In addition, it is worthy to note that economic benefits influenced the acceptance of Western education by the people. Before the dawn of colonialism the indigenous Igbo people operated an agrarian economy. To access fund under such economy was tasking as it involved going through the processes of agriculture, which starts from bush clearing, cultivation and to harvesting. It was a long period for one to wait through the seasons to be able to harvest and sale farm products, which enabled him/her to access capital, which was needed to meet his/her obligations.

The introduction of Western education brought alternative sources of forming capital among the people. The people accepted Western education because it prepared them for opportunities to get paid jobs with the system via – the colonial government, schools, missions, companies and others. These colonial institutions created opportunities for the local people to be hired as clerks, interpreters, teachers, catechists, artisans, among others. The people understood that Western education was a means of achieving economic success and personal upliftment. "They realize[d] as they never did before that knowledge is power, and that it can command a good salary".[6]

Employees were paid salaries on monthly basis, and could attend to their financial needs, unlike the farmer who must wait for the whole farming circle to harvest his crops to enable him raise funds or recourse to indigenous institutions for capital formation among the people. Besides raising funds through their salaries, these new class of workers could access funds through other Western institutions and establishments, like cooperative societies and banks, thereby abandoning the indigenous institutions.

However, this was not the end of indigenous institutions as the majority of the people did not go to school, thus continued to patronize the indigenous institutions for their development. Even the new working class makes use of indigenous institutions for capital formation, like the **Isusu**.

Colonial Urbanization and New Economic Opportunities

Colonial urbanization and new economic opportunities were other factors that negatively affected the indigenous institutions for capital formation among **ndi-Igbo**. Urbanization is defined as the "… shift of population from rural areas to cities, and the resulting growth of urban areas".[7] Urban relates generally to cities. An urban area is a large organized community with infrastructure, where a large number of people live and work.[8] Urban areas are unlike rural areas, where the population and infrastructure are less, and agriculture is the main economic activity. Under this heading, this paper will discuss the relevance of urbanization in the areas of creating job opportunities, the growth of new ideas and institutions for capital formation, increased individualism amongst **Ndi-Igbo**, and colonial laws.

In this area of study, urbanization was a colonial creation. Before the arrival of the Europeans, the people lived in rural areas. Writing on urbanization in West Africa, which the Igbo belong to, Gulger and Flanagan assert that, "The present pattern and conditions of Urbanization in

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West Africa owe much to the colonial past". [9] The colonial masters created centres for administrative and accommodation conveniences. Also, companies and missions most times settled in such centres. The presence of the Europeans in these centres necessitated infrastructural development of such areas. Later, the indigenous people migrated from villages far and near to seek greener pastures (jobs) and businesses in such places. The colonial offices needed staff, so did the companies, and the churches need church workers like catechists, teachers and others.

The job demand of the centres influenced the influx of both skilled and unskilled labour. Besides, the need to access money to pay taxes, school fees, bride wealth, and such needs, influenced many to leave the rural areas for the urban centres. In the words of Skinner:

Among other things, there was a phenomenal increase in the number of stranger elements in the newly emerging urban areas. These centres provided the European currencies needed by Africans to pay taxes, goods which Africans had learned to need, and other amenities such as western education. African migrants who were later to settle as strangers flocked to these centres from far and wide, drawn and pushed by forces introduced by the Europeans.[10]Urban centres opened opportunities for the indigenous people to get paid jobs. Many of them were employed as clerks, secretaries, teachers, artisans, among others. Through these new sources of capital formations, the people were able to access capital via means that were hitherto unknown to **Ndi-Igbo**, therefore reducing the patronage of traditional institutions for capital formation.

Furthermore, urbanization encouraged the growth of new ideas and institutions for capital formation among the people. The new development included among others, banks and co-operative societies. The emergence of these colonial finance establishments introduced other means through which the indigenous people exploited to access or form capital. The people can access funds through bank loans, if they can meet the conditions of such banks. One of the outstanding sources of capital formation during the colonial era was the cooperative society.
Cooperative society (organization) is an "…organization owned by and operated for the benefit of those using its services".[11] The introduction of cooperative societies to southeast Nigeria during the period of colonial rule was highly influenced by the economic interest of the colonial lords. In the 1930s, the production of export crops like cocoa and palm products was negatively affected by the low price income that was experienced by peasant local farmers due to the economic depression of that period. The colonial government believed that through cooperative societies the peasant farmers would get a fair price for their products, which would in turn motivate them to produce more crops for exportation to Britain.[12]

The intention of the colonial government was that through the introduction of the cooperative societies, members would access loans that would be used strictly for productive purposes, promote cooperative bonding, improve knowledge, practice, principles and working method among them. Also it was to be operated in a small area and its membership would be small.[13] Nwabughuogu captured the source of fund and procedure of the cooperative societies thus:

… the Cooperative Thrift and Credit society was to draw its funds from three sources: share capital, thrift savings and deposits. Each member had a duty to pay at least one share as his stake in the society as a condition for membership. Because the members were poor and their shares small, it became clear that the total of the share capital they would contribute would be 'only a modest sum' and would probably not suffice to set the society going financially. It became necessary therefore for each member to make monthly thrift savings on which he would be paid interest of five percent per annum on the same principle as the Post Office Savings Bank. But such thrift savings could not be withdrawn 'except for some purpose which accords with the principles of thrift or in circumstances of exceptional hardship' which of course had to be determined by the Registrar of Cooperative Societies.

Deposits, the third source of [raising] funds, had to be made by members or with the approval of the Registrar, by non-members 'for a fixed periods, at fixed rates of interest determined by the society from time to time'. It was a stated policy of the society that this fund could only be lent to members.[14]

The introduction of Cooperative Societies by the colonial government opened new doors for the local people to access capital. Some of the people embraced and actively operated the new sources of raising fund. Nevertheless, it was not the end of indigenous institutions for capital formation. Majority of the people continued to patronize the **Isusu** clubs, because it served them better as source of raising funds to attend to their needs. They used the funds pooled via **Isusu** clubs freely for their various needs, unlike the cooperative societies' fund, which was strictly used for specified venture. Besides, they could comfortably pay the fund they pooled via **Isusu** in bits, through their daily, weekly or monthly contributions, while the money borrowed from the Cooperative Societies must be paid in bulk, thus making it stressful and difficult for the people to repay. It is worthy to note that the **Isusu** was more natural and easier for the people to operate, than the Cooperative Societies. In the words of Nwabughuogu:

… [Colonial] thrift and credit institutions differed substantially in the most important service which the peasant farmers of southeastern Nigeria expected from them – making capital available to the people. Whereas the shares collected from the **Isusu** clubs could invariably be used for 'unproductive' activities and the amounts refunded over a period of time, the credits or loans from the Cooperative Thrift and Credit Societies had to be used rigidly for productive purposes only and such loans had to be refunded in bulk over a given period. Thus faced with a choice of the two societies, the people of Southeastern Nigeria chose the **Isusu** which in their view provided them with easier means of raising capital to meet their financial obligations.[15]

Another relevant factor of urbanization as it affected indigenous finance institution among the Igbo was increased individualism. Individualism is defined as the "… pursuit of personal goals: the pursuit of personal happiness and independence rather than collective goals or interests".[16] The way the Igbo migrants embraced the Western values they acquired in the urban areas was a threat to the survival of the traditional institutions. Unlike the indigenous institutions of communalism and extended family system, the urban values and institutions encouraged individualism.

Many people in the urban areas lived for themselves and their nuclear families. They fancy Western lifestyles, attitudes, cultures and finance institutions, to the detriment of indigenous ones. It became common for parents, siblings and relations to seek clearance from their children, brothers/sisters and relatives they wished to visit in the towns before embarking on such journey. Individual and self-interests threatened hospitality, which was common among the people.

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Also, increased individualism had been a huge threat to the survival, ideals and benefits of the extended family system and the communal living in the society, especially in the area of capital formation among the Igbo. Some who live in the town do not contribute to the common funds of the family/extended families, despite the fact that most of them have benefited from such institutions in the past. The simple reason is because they have paid jobs through which they access funds to attend to their needs, they neglect the family/extended family pools. Increased individualism had been a threat to the survival of some indigenous finance institutions like family/extended family pools, communal spirit among the people and others, but it did not put an end to family/extended family pools as major sources of capital formation.

Urbanization did not obliterate the indigenous institutions for capital formation among the Igbo. Those who joined the traditional institutions did not lose their membership for going to the towns. Besides, the majority of the people did not migrate to the urban centres. The majority in the villages of Igboland continued to use the indigenous finance institutions to form capital. Besides, some of them formed town unions or similar groups, which gave platforms to float various types of capital institutions to pool funds to attend to their needs. Examples of such institutions are **Isusu, Acawo, Ntu ntu,** among others.

Colonial political institutions and laws were other factors that negatively affected the growth of the pre-colonial institutions for capital formation in Igboland. The new political institutions created by the colonial lords were Warrant Chiefs and Native Courts. They were used to replace indigenous institutions that held political authority, like the age grade associations, titled societies and secret societies. By usurping the roles of indigenous political institutions, Warrant Chiefs and Native Courts took over the political authority.[17]

The negative effects of these colonial political institutions were like the adverse effects of Christian missionary attacks on the indigenous titled institutions for capital formation, noted earlier in this paper. The effects of Warrant Chiefs and Native Courts was worst for the indigenous political institutions, as they lost their political authorities to the colonial institutions. The colonial government was more powerful and in charge of the law enforcement agents, which forced people to obey their institutions. The indigenous political institutions lost purely the political aspect of their organization and partially the economic aspect as seen in the loss of funds that could be pooled for investment, due to reduced number of members, but they did not lose the socio-cultural aspects as shown in the prestige which the **Ozo** title holder or the **Okonko** and **Di Ji** title holders command in the society, even in modern times (2020). They have hung on these aspects to revive as institutions even for capital formation in modern times. Presently, this was not the end of the indigenous political institutions. The indigenous finance institutions continued to strive during the period under study. The new colonial political institutions faced legitimacy challenges. People were of the opinion that the personalities that assumed offices, as Warrant Chiefs and their Native Courts were not traditionally fit for leadership positions, talk-less of adjudicating their matters in the alien Native Courts, therefore never believed in the system. It was observed that:

… Most of the Warrant Chiefs and their Native Courts lacked legitimacy in a traditional social setting and so failed to inspire confidence in the system – a factor necessary for progress in the life of any given people.[18]

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Another factor worth noting, that adversely affected the traditional institutions for capital formation was the colonial government laws. Colonial laws came to replace the indigenous ones, thereby undermining the effectiveness of the indigenous laws. In the pre-colonial era, strong laws were made to maintain social cohesion, peace and economic progress of the people. This was done to checkmate negative behaviours like yam stealing, bad debt, and covetousness of persons and properties. The colonial laws, which replaced the indigenous ones, were lenient. Nwabughuogu noted specifically that:

One of these lenient laws was the law of debt enacted in 1918. Under it, no punishment for debt was allowed which would force the family of a debtor to pay on his behalf. Debt cases were henceforth to be treated in the Native Courts. And in some of those courts the creditor was made to pay for the feeding of his goaled debtor. Such a law struck at the very basis of the credit system in traditional society. People became very unwilling to lend their money to anybody. Credit and saving institutions like the **Isusu** became wary as to who received his share from the club. The net result was a slow-down in capital formation and capital growth which ultimately made it difficult for the general economy to grow.[19]

Also, the Warrant Chiefs and the **Isusu** Club heads connived to use their offices to extort money from club members. Example was the club heads in **Ngwa** land within the period, 1933, who were predominantly **Nkwerre** money-lenders, and who agreed with the Warrant Chiefs to exploit members for their selfish and personal interests. The process of exploiting the people was through:

… formulation of laws which enabled the club heads to extort money from a contributor on the day he was to receive his share by imposing levies on him…. [it was] believed that “a member [was] fortunate if he received 60% of the money actually contributed by him.[20]

Besides, the Warrant Chiefs and Native Courts were used to liquidate the resources of successful, forceful and progressive men in the society, which the Warrant Chiefs saw as threats. The strategy was to drag such men to court and keep them there, on flimsy accusations. They were only freed when they had spent all their resources defending themselves in the courts.[21]

Through these means, colonial political institutions and their laws undermined the continued growth and development of the traditional institutions for capital formation and progress of the people in general. In the words of Nwabughuogu:

… it can be seen that by suppressing individual initiative and drive, promulgating laws that undermined credit and saving institutions and enforcing laws that made the recovery of debt difficult, the Warrant Chief system which replaced the traditional political institutions did more harm than good to the social and economic progress of the people of Eastern Nigeria.[22]

New economic opportunities constituted another factor responsible for the changes that occurred in the traditional institutions for capital formation. The coming of Europeans to the villages and later urban areas, created opportunities and alternatives for capital formation among the people, which were hitherto restricted to indigenous economic institutions. In the urban areas and villages, missionary activities and Western education presented opportunities to the indigenous people for jobs. Urbanization presented wider economic spheres for jobs with

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the colonial government, the missionary, and companies located in that area. Also, businesses and services strove in the cities.

The more the local people embraced Western institutions and the opportunities they created, the more indigenous institutions suffered. The gains of the modern institutions were the loss of the traditional institutions. The people had opportunities to choose other means to access capital.

CONCLUSION

This work surveyed the factors of change in the indigenous institutions for capital formation among the Igbo of Southeast, Nigeria. Both internal and external factors were discussed. Colonialism and colonial establishments were examined, giving attention to Christianity, Western education, urbanisation, new economic opportunities, colonial policies and colonial laws, among others. It also showed how traditional economic institutions lost their monopoly of capital formation among the people. As noted before now, the more the people sought European financial institutions, the more the indigenous institutions lost members and resources therefore, dwindled, but they did not die, rather they were resilient in the face of onslaught by external forces.

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