

## **HISTORICISING AFRICAN TRADITIONAL SAVING SYSTEM “ESUSU” FOR OCCUPATIONAL SUSTAINABILITY.**

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### **ABSTRACT**

Long before the introduction of the modern Banking System, there were Traditional Savings and Credit groups or Clubs known as “Esusu” or “Eesu” in the Yoruba language (Nigeria). The Saving groups often vary from one cultural group to another and from place to place; but generally, members often conform to similar mode of operation. The thrift associations deserve particular attention, given their importance as a veritable vehicle for enhancing entrepreneurial or occupational activities among the peoples of Nigeria and beyond. This paper traces the origin (evolution), practices or operations of the Esusu activities, its development and as a platform for mobilizing monetary resource for promoting entrepreneurial activities in Africa. The paper intends to establish that the modern day Banking borrowed its operations and practices from Esusu saving system. The empirical paper employs oral interview, observation as well as interpretation of materials as the primary source. The paper concludes with the effects and ways of advancing the practice of African Traditional Saving System.

**Keywords:** *Historicising African Traditional Saving System*

### **Introduction**

It is a general knowledge that banking system plays a significant role in the contemporary process of economic growth and development. Its role in the day to day economic activity of man; even in the olden days could not be over-emphasised. This acknowledgement is reinforced by modern-day conceptualism to the effect that banks are veritable vehicles for mobilizing resources from surplus units and deploying same to deficit units. Hence, Banks constitute perhaps the most important segment of the financial market and play a dominant role; in not only mobilizing savings, but allocating them for investment. This same activity was prevalent locally before the advent of the modern banking. That is to establish the fact that, in most African societies, there is often a pre-existing knowledge of banking their money. Giving of soft loans to interested members of the society and repayment were equally known in Africa.

Esusu, a local saving system among the Yoruba in South-western Nigeria, just like the modern banking system, was a way by which people constituted themselves into saving group, contributed money on a particular day of the week for over a period of time. All members of the group had a guiding code for members of the club. Although the system may look primitive to the contemporary mode of economy or economic activities, it however stands to reason that it provided a foundation, upon which the contemporary financial and the modern economic system were based. Economists often discuss or base most of their studies on how individuals and societies make use of the productive resources available to them and how goods and services are shared. They also talk about economic behaviours; that human beings behave rationally,

although they are bound to recognize that, such thoughts and actions develop within the context of society, their growth and development.

Esusu, one method of African traditional saving system encompasses this individual and societal behavior as regards their daily economic activities. It formed an age-long economic system for occupational sustainability in that, the savings after collection was often mostly used to start a business or expand the existing business in: farming, craftwork, pottery making, sculpture making, dyeing, soap making and the like, all of which are the major sources of income and sustenance then. They are mostly entrepreneurial (one man business) which make most Africans independent of one another as against the common government jobs among other hired jobs nowadays where the labourers (staffs) are subjected to wages or salaries (emoluments) as agreed with their employer weekly or monthly.

### **The Origin (Evolution) and Practice of “Esusu” Traditional Saving System in Nigeria**

Ojo (2014) in her work posits that, esusu as a form of Yoruba traditional method of finance and saving system began at a time immemorial. It is one of the most predominant types of informal finance in Yorubaland. Esusu among other major ethnic groups in Nigeria, like the Igbo (in eastern Nigeria) is called “Isusu” or “Utu”, while in Edo, people called “Osusu”, the Hausa (in Northern Nigeria) call it “Adashi”, the Nupe (in the North Central part of Nigeria) call it “Dashi”, while the Ibibio call it “Etibe” and the Kalahari call it “Oku”. These are of course the major tribes in Nigeria. Literally, Esusu or Eesu means (“owo ti a su, tabi fi pamo”). The money being conserved or saved or kept for certain period of time before it is withdrawn by the owner.

One of the characteristics of Esusu is that, certain number of people must come together to reach a concrete agreement or arrive at a sort of gentleman’s agreement,

before its operation can be effective. The leader(s) of the club shall be unanimously appointed among the gathering interested members. It consists of such small groups of about 20-30 members, who usually came from a similar economic background namely: artisans, market women, trading guilds individuals and group of individuals in the society. They may be members of an age group that grew together and who have known each other from childhood. This may be all of the same occupation, for example, marine fishermen, or inland water fishermen, or fish mammals or they may be migrants from the same village. Normally, members consist of the ethnic or language group whose members are from more or less similar economic and social circumstances.

Also, each financial member contributes a fixed amount of money either daily or three days interval, five days intervals, six or seven days interval, eight or monthly basis – as the case may be. The total amount contributed by each financial member will be kept by the leader of the group or club called “Olori Eleesu” who is both the president and the treasurer. When “Esusu” is matured for sharing, every financial member takes part; hence, non-participant cannot share from the returns from Esusu. The defaulter of the earlier round of Esusu is disallowed from continuing the next round. This often led to an adage that goes thus:

“Aborun kooli, bi orun akeesu ma da”

(One with a stiff neck like Esusu defaulter).

The primary objective(s) of esusu is to provide some financial stability to their members and to help them during periods of need. In a large village, there may be a large number of such groups. For example, in the Delta Village of Okoroete, Ojo Olusegun (2014) points out that, there were about 10 esusu clubs – mostly from their different occupations. I.F. Ojo further asserts that, the President (“Olori elesusu”)

esusu head must be appointed to serve as both the coordinator and treasurer. It is therefore important to note that, Esusu contribution has legal code, meaning that, it was not established on fake grounds. Some “Esusu” groups operate with written constitutions in this modern society while others especially in the past operated with unwritten laws. Their operation was based on oath of allegiance and mutual trust. In short, its general practice is to contribute a fixed amount periodically and the cumulated funds will be shared on the same day, but anchored on a common trust.

An Esusu Society is usually managed by a small committee, customarily a president and a secretary who keeps the records, if any. The membership is not necessarily equitable. Normally, every member must make a periodic (weekly, monthly) payment to the group’s fund, according to the number of shares he or she holds in the club. Obviously, the numbers of shares one can afford and is willing to hold determine his/her hierarchical position and social status in the group, thus, the biggest shareholder is usually the esusu’s president.



**Urhobo Local Savings (Esusu) Group in the Delta State, Nigeria**

According to one local arrangement, every member is entitled to a loan from the fund which usually, although not necessarily, is used for buying equipment. Interest may be charged. Members who decline to accept the loan are still obliged to pay all their dues. In such cases, however, when it gets to their turns, they can obtain a double sum. By and by, the pot is allocated to members by rotation in a pre-determined manner. However, if any of the members encounters an emergency need, the roster may be altered in order to help the needy. Esusos are normally non-profit and no-loss associations, although they can be affected by inflation. Moreover, as the Christmas season approaches and work ceases for a month or so, and many migrants go back to places of their origin, a part or all of the savings may be disbursed among the members. Membership is not easily open to newcomers. To be accepted, a prospective new member must be sponsored by at least two existing ones. And based on mutual trust, a loan may be issued to a member with a guarantee by another or without any guarantor at all. It is peer pressure that assures timely periodic payment and loan reimbursement. Justified delays are tolerated, but steps may be taken against delinquent members.

Although in financial terms, the esusu societies are not growth-oriented, especially when no interest is charged, they otherwise function fairly well. Core social norms embedded in the local culture create peer and other pressures responsible for their effective performance. Also their facilitation of the procurement of equipment is substantial, although by no means fully adequate.

Pa Ogundipe Adeyi, the leader of Goat Sellers at Oja-market, Saabo, Oyo, Oyo State of Nigeria described esusu as most beneficial to him and members of his esusu club. He narrated further that, members of his esusu club belong to the same occupation

(goat sellers) and that the arrangement often affords members the opportunity to build-house, buy a car for use or bus for transport that yielded more income to the practitioners. He said others used their contributions for farming activities as most of his members combine goat selling with farming.

In a similar vein, Mama Oyebisi Wuraola also posited that esusu is better than the modern day banking system because, most times today's banks charge some money upon the money kept in their custody and even for using some of their machines like the popular Automated Teller Machine (ATM) which is not obtainable in esusu. She exclaimed: is it a crime to save one's money with government people! She observed that "they even teach you how you will spend your money to their own benefit, those trickish people".



**Members of Traditional Saving Groups at Sabo Market, Oyo State Nigeria.**

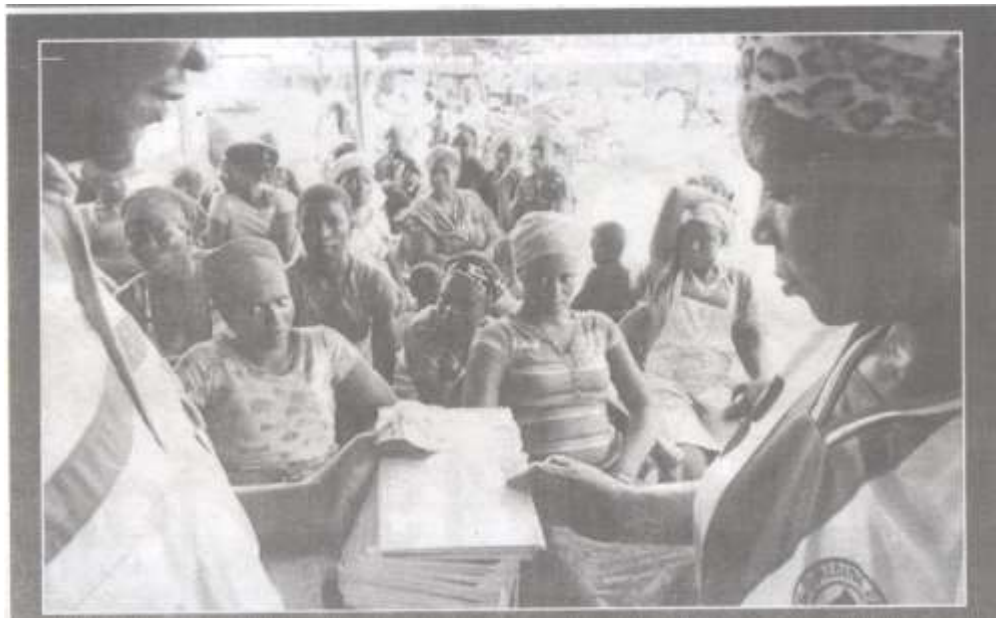
She maintained that she had sent the bank people away many times that; they (esusu clubs) were their own bankers. She believed her esusu club with her 'Egbe Eleni', mat sellers Association has earned her fame in the market; the esusu has made her rich and live a fulfilled life. Mrs. Moni Alajiki described it as the best practice for economic growth. Bolaji Adebayo also maintains that-Esusu is more pleasing to him than the modern day banking that no string is attached to it like banking. Kehinde Oguntola lamented the extortion style of banking system which made him join membership of esusu. Prince Jibola Adebowale maintained that, nothing could be as good as "Tiwa-n-tiwa banking system" referring to "esusu" as the best indigenous saving system after narrating his ordeal from the modern bank, where he borrowed a substantial amount of money but serviced the loan for more than five years. He said there is nothing of such in Esusu.

Ian Roxborough (1979) in his theory of development talked about a developed mind for personal economic growth which was often sold to the larger society. The oral interview discussed above saw the level at which human mind can be desirous of personal economic style to earn one a desired mode of life.

The traditional credit system is also deeply embedded in the local esusu saving system. Thirlwall (1972) identified credit-risk as one mode of attaining growth and development. This traditional credit system is believed to be one of the practices from which the modern day banking system borrowed. The traditional credit system is deeply embedded in the local cultures. It is not just a technical framework for financing production, but it interwoven into the traders' life. Moreover, it is highly necessary for the simplest trading to take place. Unfortunately, the trader folk pay a very high price for the money they borrow from dealers, money-lenders, and equipment and goods suppliers who are the core players in this system. In many cases,



traders are obliged to sell their goods to their creditors at predetermined prices, which, in most cases are lower than prevailing market prices. Also, loans may be given in the form of supplies or goods at prices higher than prevailing market prices. Hence, the traditional credit is usually expensive, and tends to keep the borrowers in a constant dependence on the creditor.



**Traders lodging her savings**

The cost of the traditional credit can be illustrated by the actual cost, calculated at a rates and prices. This example, therefore, suggests the benefits the rural producers, in this case (fisher folk), would derive from access to formal credit would be tremendous. The interest rates paid on “Sogun-do-goji” system (double the initial capital) in the traditional credit are too burdensome.

### **Ajo – A Modernised Modern Day Traditional Saving System; Compared with Esusu**

On a more standard form, 'Ajo' is the traditional banking system whereby a money-collector goes round the contributors daily or weekly and the total is given back at the end of the month. Esusu was not often collected 'on round-about basis' but collected collectively on the same day from all members. There were no cooperative societies, no banking institutions nor credit unions by then which made it difficult for the people to live above subsistence level – yet people were satisfied with the saving system.

Members of 'Ajo' group contribute certain amount of money periodically, like every five days, weekly, fortnightly or monthly and give all or part of the accumulated funds to one or more members in rotation until all members have benefited from the pool. No rotation is allowed in esusu but collective collection of the money saved by individual members.



**Nigerian Naira notes in denominations.**

‘Ajo’ contribution has been modernized in such a way that some people have turned it to their daily job, which earns them their livelihood. Salary-earners too engage in ‘Ajo’ contribution at the end of every month after collecting their salary with the aim of assisting themselves. The practice was basically the same as in esusu.

Aderinkomi (1978) says that in the olden days before the advent of the European and modern banking system, the Yoruba people had developed the culture of saving and borrowing money and that this culture is still in practice up till date. For example, in some parts of Ijebuland, ‘owo Ajo kan’ meaning ‘Oke kan’ (50k) while Oke merindinlogun is termed N8.00k. ‘Ajo’ contribution is not static because it depends on individual’s capability. Those who have the means may have two slots ‘owo meji’. This continues on a rotational basis until the first phase of the contribution is concluded peacefully, but if the contribution ended in fiasco it means ‘Ajo fo’ and that may bring about the stoppage of ‘Ajo’. The dubious means of contribution by members or report of stealing by the leaders could be the reason behind this. It is very important to stress here that ‘Olori Elesusu or ‘Alajo’ (The head of contributors) collects what we call ‘owo iko’ (stepends) as part of his/her effort in coordinating and keeping ‘Ajo money. For instance, he may collect 10% of Egbaa that is 5k at the end of each round.

Aderinkomi (1978) went further to relate ‘Esusu’ with ‘Ajo’. He says that it was spelling and Western culture that changed ‘Egbe Esusu to ‘Egbe Alajo’ society, which is more standard and convenient for people nowadays. Among the Ekiti people and in some other parts of Yorubaland for example, ‘awon obinrin ahunso’ (women weavers) engage themselves in weaving thread-type of contribution with the oath of allegiance that each participant will be collecting on a rotational basis until the arrangement goes round. Daramola and Ijeje (1967) said that the early Yoruba people were not educated

but trusted themselves. This view is corroborated by the saying that ‘Yoruba ko ni rekona, sugbon won ni rekona’ (Yoruba people in the past did not have records of events but store their events in their memory). Hence, immediately ‘Ajo’ starts, the first contribution will be marked with ‘osun’ (camwood), ‘efun’ (chalk) or ‘eedu’ (charcoal) on the wall for remembrance purposes. This marking on the wall continues till the contribution is over. This method of keeping record is highly effective because Yoruba people are very conscious of any obstacle that may want to jeopardize the smooth running of the system. In some cases, an oath of allegiance is taken through the putting of money inside a bowl/container filled with water for every financial member to drink. This system calls for truthfulness, honesty and sincerity according to their belief. The Yoruba people believe that whoever violates this oath will be brutally dealt with by ‘Orisa Aje’ (the god of wealth). The fear of being punished had encouraged every member of ‘Ajo’ to maintain constant discipline at all cost. Therefore, the success of one phase motives members to embark on another round. One other important feature of Esusu is that nobody wishes to collect last. Several Yoruba proverbs corroborate this opinion. Among them are ‘Eniti ti esusu ko ba fo loju re rii, akokehin nii ko’ (He who has not witnessed the collapse of ‘esusu’ wishes to collect last) or Akeesu-ma-da arungba ole (A financial member who collects his own esusu and fails to pay his own contribution is a thief).

### **Benefits of Esusu Traditional Saving System**

The indigenous/traditional saving system has proven to be a source of blessing and a means of livelihood to the people, especially from the pre –colonial era up to this 21st Century. Manpower development is often achievable from esusu traditional saving system. The money collected from esusu was often used by individuals to empower themselves to establish a small business, or expand an already established business,

craftwork or other personal project. Most of the practitioners use their money to venture into other businesses like transport, communication system through the Global System for Mobile Communication (GSM), and farming among others.

Manpower of course is a major problem in a developing country like Nigeria (and some African countries alike) today in an effort to achieve a rapid economic development and industrial modernization (Ade Ojo, 1986). Hence, in a fixed and mono-cultural economy like ours (Nigeria and most African states), both individual and government need to encourage entrepreneurial sustainability through a saving system (culture) as exemplified in the local traditional saving system Esusu.

Esusu as pointed out above also affords one an easy access to loan which attracts no interest. Most members of Esusu club interviewed orally lament the hazard in any loan that attracts interest. As huge amount of money borrowed from the bank attracts huge interest or loan services, esusu traditional saving loan system attracts no interest. It provides immense benefits to the practitioners. Membership (as said earlier) is by choice. It is of free entry and free exit. The amount to contribute depended on individual's ability. No interest is charged, and problem of forceful take-over of properties of over non-payment of loan (as operated in the modern Banking system) does not exist in the traditional saving system.

One could also talk about self contentment as esusu or Ajo promotes this virtue among practitioners as a fund to start a business or expand same. The contentment is that, the practitioners were rest assured of the personal ownership of their savings, and that it was practically not borrowed. The Money (from esusu) with which members establish their business or trade is judiciously used. And the Money is not also spent on frivolity, but for the purpose for which it was intended. The desire to be rich as quick

as possible (at this modern age) was not there. They are satisfied with little profit that accrues from their small scale business.

Lastly, it also provides a basis for entrepreneurship. Most of the practitioners are self-employed belonging to the same business associations, *'Egbe Eleran iso'*, Goat seller's association, *Egbe Eleni*, mat sellers association, *Egbe Alaso*, cloth sellers association, *Egbe Alarobo* buyers and sellers association or trading guilds and the likes. These association promotes traditional trading system, and (of course) of great saving value to members' businesses or trade. Often times, members' share is either used to start a small scale business or to expand the existing one. Skill acquisition is also possible in that, members could learn new skills from their members. The shares from esusu could become the fund with which newly acquired skills is established, nurtured, developed and expanded.

### Shortcomings of the Traditional Saving System Esusu

**Lack of Trust-** Trust is the bane for the formation, process and continual existence of the traditional savings Club. It is the pillar upon which leadership and members of the Club cast their hope of its survival. It is upon this premise that membership were sought. That is, only trusted individuals were accepted as members. It could also be sufficient to conclude that, people of 'like-mind' often come together to form such savings Club. But if this reason or motive behind its formation breaks, it weakened the Club. And if this could degenerate between and among members, it could signal the collapse and the end of the Club. Mistrust could set-in if members could not contribute on time or default after collection or abscond with the Club's Money.

**The death of "Olori Eleesu"** (Traditional savings club leader) could bring chaotic and abrupt end of the club's activities. It could also lead to fiasco if the members demands for their money. And of course, no court mediates in such situation even in this

modern time. His death could also mean the end of esusu saving system. This is because some of the Club leaders could double as the Treasurer of the Club, meaning they are the Custodian of the Club's treasury. If the family of such leader denial knowledge of his being the Custodian of the Club, it could cause multiples of crisis between and among members, some of whom could be sympathetic and those who do not on one hand and the family of the deceased on the other hand.

**Long Sickness or Death of Member**-Just as death and sickness are both inevitable for everyone; member's death would also weaken the system and its operations. In the course of member's death, it may devastate other members especially if they belong to the same occupation. The circumstance surrounding the members' death also has a lot to do with the operational system of Esusu. If the circumstance is a calamity such as: breaking the taboos of a trading guilds, craftsmen's society or death by thunderbolt (that is death as a result of sleeping with another man's wife) or death of groups of fishermen on the sea-(who are all members of the club) e.t.c, has a lot (negatively) to do about the continual existence of such esusu savings club. The group could be stigmatised with bad name by the society; thereby disintegrating members and the club. And in the case of a prolonged sickness, such a sick member could find it difficult to contribute further. The system be hampered in a way.

**Problem of Defaulting:** If members of "esusu club defaults often, it could weaken or abruptly halt its continuation. This would be more disadvantageous to genuine members, who really meant well or hope their monetary contributions would make them; develop their landed properties, expand their entrepreneurial occupation or businesses or marry more wives. Members could default for a number of reasons such as: poor business outing, bad harvest (for members that are farmers), prolonged-sickness of a member or his/her family member(s), too many responsibilities among

others. In whatever manner it comes, it does not portends good omen for success of the Club. And more so, members cannot be force to contribute if he/she has nothing to contribute.

**Weak or bad Club Leader(s):** If Olori Eleesu (Esusu club leader) is weak, definitely it could affect the operations and the general activities of the club. Effective coordination of the club would be difficult and then the ability of the leader to compel obedience becomes impossible. This (no doubt) often threatened the existence and operation of the traditional savings club. A dubious leader would eventually defraud the members and he/she could abscond in order to avert the shame such attitude would bring to him or members of his family.

**Natural Disaster:** Some natural disaster oftentimes affects esusu traditionally system those days. Natural disaster such as drought, flood and outbreak of disease often affects farming system. And farming/ Agricultural system is the monastery of African society's economy those days. In the first place, majority of esusu practitioners are farmers which depicts the fact that, their income would be affected negatively; and as such affect their contributions in the club. The affected members of the Club would find it difficult to contribute (as and when due) their dues to the Club. And especially if more members were affected the effects could be grievous. This occurrence could constitute a major threat or eventual collapse of the activities, process and continual existence of the tradition saving system.

### **Conclusion**

Esusu or Eesu form of African traditional saving system though may look unsophisticated, its relevance lies in the fact that it is ageing but still in practice, it has greatly helped in entrepreneurial skill acquisition and development as it provides fund (money) for private initiative for occupational sustainability. The discussion



established the practice of Esusu as a unique indigenous banking system developed by Africans and for Africans. The system has evolved through the ages, developed and re-fashioned presently as Ajo (monetary/ daily contribution). And most practitioners interviewed enjoyed the practice as most of them decry the pains and afflictions of the modern banking system by extortion and exploitation through heavy interest and other charges.

In towns and cities of the Yoruba societies in the Southwest Nigeria, Esusu and Ajo still enjoy patronage. And presently it has been extended to the civil servant circles. Staffs of both private and public parastatals join Esusu and “Ajo” saving system. Certain amount of money was deducted from a member’s salaries on monthly basis, which serves as their monthly contributions. Members collect their money periodically and it ends after which all members might have collected. The system has helped member of most African Communities in advancing their entrepreneurial skills as well as sustaining their economic well-being.

Government could also come to the aid of Esusu savings practitioners by establishing small scale Banks where funds could be made available for members (Farmers, Artisans, Craftsmen etc) , most of whom formed the influential population in Nigeria as in the various African societies. The need to boost the cultural value and economic life of the people is another reason why the government should support the entrepreneurial/ indigenous saving system through the creation of a traditional bank where this system could be modernised but attracts less interest. It would also go a long way at ensuring their occupational sustainability.

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