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A HISTORY OF MODERN CURRENCY IN THE FORMER SOKOTO PROVINCE, 1903-2015

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BY

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DEDICATION

In memory of my late grandfather Shaikh Ahmad Wali and my late mother Hajiya Raihanatu Ahmad Wali (d. 2007 and 2002) respectively. May their souls rest in perfect peace of *Jannatul Firdaus*. Amin.

CERTIFICATION

This Thesis by Yasin Abubakar has met the requirements for the award of the degree of Doctor of Philosophy (History) of the Usmanu Danfodiyo University, Sokoto and is approved for its contribution to knowledge.

Prof. A.I. Yandaki (Major Supervisor)	…… Sign	…… Date
Prof. H.M. Maishanu (Co-Supervisor I)	…… Sign	…… Date
Prof. A.A. Sokoto (Co-Supervisor II)	…… Sign	…… Date
Prof. Ahmed Bako (Head of Department)	…… Sign	…… Date
(External Examiner)	…… Sign	…… Date

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LIST OF ABBREVIATIONS

ABU	-	Ahmadu Bello University
AHAK	-	Arewa House Archive
ATM	-	Automated Teller Machine
ATMs	-	Automated Teller Machines
BBWA	-	Bank of British West Africa
BCGA	-	British Cotton Growers Association
CBN	-	Central Bank of Nigeria
D.O.s	-	District Officers
E-banking	-	Electronic Banking
EFT	-	Electronic Fund Transfer
E-payments	-	Electronic Payments
FGN	-	Federal Government of Nigeria
GIS	-	Geographic Information System
IBB	-	Ibrahim Badamasi Babangida
ICT	-	Information and Communication Technology
IMF	-	International Monetary Fund
MDAs	-	Ministries, Department and Agencies
N.A.s	-	Native Authorities
NAK	-	National Archive
NDIC	-	Nigerian Deposit Insurance Corporation
NEFT	-	NIBSS Electronic Fund Transfers
NIBSS	-	Nigerian Inter-Bank Settlement System
NSPMC	-	Nigerian Security Printing and Minting Company
NUBAN	-	Nigerian Uniform Bank Account Number
PC	-	Personal Computer
POS	-	Point of Sales
SAP	-	Structural Adjustment Programme
SFEM	-	Second-tier Foreign Exchange Market
UDUS	-	Usmanu Danfodiyo University, Sokoto
WACB	-	West African Currency Board
WJHCB	-	Waziri Junaidu History and Culture Bureau

ABSTRACT

This study examines the history of modern currency in the former Sokoto Province. It is an aspect of monetary history, which is one of the themes of history that suffers serious neglect from scholars. Contrary to the assumption of Eurocentric scholars that prior to Africans' contact with the Europeans, trade relations were conducted essentially by barter, the study discovered that the people in the study area have made extensive use of cowries and other forms of pre-colonial currecies such as slaves and cloths, as medium of exchange and means of payments both at local and regional levels. However with the arrival of the Europeans and subsequent imposition of the British administration on the people of the region, British coins were introduced and gradually they became the only medium of exchange. As from 1916 the West African Currency Board (WACB) that was established in 1912 started the issue of currency notes for the entire British West African territories; and since then the various denominations of the notes were used in different parts of Nigeria (including the study area) as medium of exchange until in 1959 when as part of preparation for Nigeria's independence, the notes were replaced with the ones issued by the Central Bank of Nigeria (CBN). It has also been discovered that from 1960 to date, socio-economic and political developments such as attainment of republican status, civil war, oil boom, economic recession of the early 1980s and increasing oil revenues of the early 1990s and 2000s were the reasons advanced by successive governments in Nigeria for causing change of the currency notes and coins in the study area in particular and in the country in general. Government policies have equally impacted both positively and negatively on the values of Nigeria's currency and monetary system as a whole. The most recent development in the country's monetary profile is cashless policy, which is regarded in this study as a revived effort by the western and capitalist imperialists to integrate the Nigeria's financial sector into their larger economic system. However, if effectively

implemented in country, it would certainly be a watershed in the history of use of cash. This study concludes that the failure to effectively commence the policy nationwide by 1st July, 2015, was not unconnected with inadequate infrastructural facilities for its implementation and lack of awareness about the policy among substantial number of Nigeria's population.

CHAPTER ONE

GENERAL INTRODUCTION

1.1 Background to the study

Eurocentric[1] writers and commentators on West African economic history in general and Nigeria in particular seem to have assumed that the people in West Africa failed to develop a monetary system that could facilitate trade. It was even claimed that, trade was conducted essentially by barter.[2] Even those who conceded that there were some currencies, simply see them as articles of trade because they were purported to lack the major features of modern money.[3] It is true that prior to colonial period exchange relations in most parts of Africa were conducted, initially through barter but later through a series of "transitional currencies" such as cowries and manillas.[4] One of the disadvantages of barter system is that it is hard for either party to know if it has had the best of the bargain; and this is particularly serious where one or both parties is acquiring goods for further trade elsewhere.[5]

Since trade was an integral part of pre-colonial economy in different parts of the Nigerian area and variety of transitional currencies were extensively used as medium of

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[1]The term Eurocentric is derived from "Euro centrism" which is a practice of viewing the world from European perspective. It is a discursive tendency to interpret the histories and cultures of non-European societies from a European (or Western) perspective. Common features of Eurocentric thought include: ignoring or undervaluing non-European societies as inferior to western and ignoring or undervaluing what Asians, Latin Americans or Africans do within their own societies or seeing the histories of non-European societies simply in European terms, or as part of the expansion of Europe and its civilizing influence. For more on this, see R. Miles and M. Brown, *Racism* (2nd Edition), London, Routledge, 2003.

[2]The term barter refers to exchange of one article for another. It involves the direct exchange of one good for some quantity of another good. For example, a horse may be exchanged for a cow, or 3 sheep or 4 goats. For barter transaction to take place there must be a double coincidence of wants. See M.L. Jhingan, *Money, Banking, International Trade and Public Finance*, Delhi, Vrinda Publications Limited, 1984, p.1.

[3]S.O. Aghalino, "Trade Currencies in Pre-Colonial Nigeria", in O.N. Njoku (ed.), *Pre-Colonial Economic History of Nigeria*, NP, 2002, p. 85. Some of the features of modern money as explained by economists include general acceptability, durability, portability, divisibility, stability and homogeneity. See M.L. Jhingan, *Monetary Economics* (5th Revised Edition), Delhi, Vrinda Publications Ltd, 2001, pp. 1-2.

[4]A.H.M.Kirk-Green,"The Major Currencies in Nigerian History", *Journal of the Historical Society of Nigeria*, Vol. 2, No. 1, December 1960. p. 136.

[5]M. Johnson, "The Ounce in the Eighteenth-Century West African Trade", *Journal of African History*, Vol. VII, No. 2, 1966, p. 197.

exchange, currency was therefore not lacking at the pre-European contact. Thus, currencies and barter system were, at a certain point in history used concurrently as means of exchange by different communities of the Nigerian area during the pre-colonial era. Trade involved multilateral relations and most goods were not readily inter-changeable and money played the function of a medium of exchange.[6] The close of the nineteenth century saw the beginning of an economic revolution in West Africa. Until the second half of the nineteenth century the medium of exchange in the Nigerian area consisted mainly of a variety of "transitional" currencies. They included copper wires, brass rods, manillas and cowries among others. Some of them were used in limited areas, while others were used over vast areas. Many were locally sourced, and had uses other than money (such as cloth or iron).[7] Others were obtained from faraway places such as Indian Ocean cowry shells[8] and silver dollars from various European and American countries. However, by the second decade of the twentieth century, these currencies were replaced by British silver coins.[9] In either case or both, the important thing to note is that, these currencies existed and were used for economic transactions among different people of the Nigerian area.[10]

Therefore, until the formal introduction of the British coins, towards the end of the nineteenth century, and banknotes much later in the second decade of the twentieth

[6] S.O. Aghalino, "Trade Currencies in Pre-Colonial Nigeria"…, *op.cit.*

[7]The primary use of cloth is to serve the purpose of dressing or covering one's body, while iron was primarily used at different stages of human civilization as implements, weapons, domestic utensils and ornamentations. These items were simply accepted as money in some parts of Africa during the pre-colonial period because they were relatively scarce in those communities.

[8]Maldives Island in Indian Ocean, was the major source of cowry shells to the communities of Western and Central Sudan during the pre-colonial period.

[9]See 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 1966, p. 471.

[10] D.O. Chukwu, "Trends and Changes in the Nigerian Currency System, colonial period- 2008", *Studies of Tribes and Tribal,* Vol. 8, No. 2, 2010, p. 88.

century, the pre-colonial economy had witnessed the use of what some analysts describe as trade currencies.[11] Others have preferred to call them traditional or local currencies.[12]

When colonial rule was formally imposed on Africans, the colonial powers regarded the pre-colonial currencies as inefficient, pernicious and saw the answer in the introduction of modern currencies which were not only lighter to carry, but also were easily convertible and universally acceptable. Earlier on, the British considered the pre-colonial currencies as 'cumbersome', which would not allow for the international trade and incorporation of the Nigerian economy into that of the British capitalist economy.[13]

Following the imposition of British administration in different parts of the Nigerian area, the Bank of British West Africa (BBWA), the forerunner of the present First Bank of Nigeria Plc established in 1894, initially enjoyed the monopoly of currency importation from the mint. But after the report of the West African Currency Committee (WACC) the privilege of supplying currency to British West African territories was transferred to the newly constituted West African Currency Board (WACB), founded in 1912. The WACB was responsible for issuing currency in the country from 1912 to 1959. On July 1st, 1959, the Central Bank of Nigeria (CBN) was established. According to section 4 of the CBN ordinance, one of the principal objectives of the bank was, "to promote monetary stability and a sound financial structure in Nigeria."[14] Henceforth, it becomes responsible for issuance of currency in the country. Thus, one of the major consequences of British

[11]See for instance, S.O. Aghalino, "Trade Currencies in Pre-Colonial Nigeria"…, *op.cit* and G.I. Jones, "Native and Trade Currencies in Southern Nigeria During the Eighteenth and Nineteenth Centuries". In Z.A. Konzacki & J.M. Konzacki (eds.), *An Economic History of Tropical Africa: The Pre-Colonial Period,* London, Frank Cass and Co. Ltd, 1977.

[12] Example of such works that refer to pre-colonial currencies as traditional or local currencies include W.I. Ofonagoro, "From Traditional to British Currency in Southern Nigeria: Analysis of Currency Revolution, 1880-1948", *The Journal of Economic History,* Vol. 39, No. 3, September 1979 and A.H.M.Kirk-Green,"The Major Currencies in Nigerian History", *Journal of the Historical Society of Nigeria,* Vol. 2, No. 1, December 1960.

[13] A.E. Afigbo, "The Establishment of Colonial Rule, 1900-1918" in J.F.A. Ade Ajayi & M. Crowder (eds.), *History of West Africa,* Vol. II, London, Longman, 1974, p. 470.

[14]Fifty Years of Central Banking in Nigeria: Icons, Issues and Perspectives, A Publication of the CBN in commemoration of its Golden Jubilees (50 years anniversary), published in 2009.

administration in Nigeria was the successful de-monetization of the pre-colonial currencies and in their place there was the introduction of the British monetary system consisting of coins and notes.

It is in the light of this background information on the trends and changes in the Nigerian currency system that this research work studies a neglected aspect of northern Nigerian history, a history of modern currency with particular reference to former Sokoto Province of Nigeria.

1.2 Statement of the Problem

P.J. Shea[15] states that modern monetary policy has never received much attention from students of Northern Nigerian History. He added that even Hogendorn, who has written extensively on economic developments in Northern Nigeria, and on monetary policy in West Africa, seems not to have had any particular concern with the impact of colonial currency policies on the protectorate of Northern Nigeria. The British were nonetheless, aware that the monetary policy was important in the development of their colonial territories in Northern Nigeria. Historians should therefore show more concern on how currency policies affected developments in the Northern Provinces.[16] Ironically, the only known historical work on modern currency in Northern Nigeria so far is the one produced by Shea.[17]

Part of the problem, thus, is that there is no clear narrative outlining the development of monetary policies in Nigeria up to recent times. What is available was

[15] P.J. Shea, "Making Money in Northern Nigeria: The Colonial Currency Regime, 1899-1963", in A.M. Yakubu et.al (eds.), *Northern Nigeria: A Century of Transformation, 1903-2003*, Kaduna, Baraka Press and Publishers, 2005, p. 271.
[16] *Ibid*, pp. 271-272.
[17] *Ibid.* In the case of Southern Nigeria, there exist two works. They are: 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 1966 and W.I. Ofonagoro, "From Traditional to British Currency in Southern Nigeria: Analysis of Currency Revolution, 1880-1948", *The Journal of Economic History*, Vol. 39, No. 3, September 1979, pp.623-654.

mostly written by economists who used terms and concepts that are not historical. More importantly, economists do not have the same research interests as historians and so do not address and answer the same questions.[18] It is against this background that this study intends to study the history of modern currency in the former Sokoto Province Area of Nigeria. Certainly if this aim is achieved, the work will be a pioneer detailed historical research work on the history of modern currency in Northern Nigeria perhaps due to neglect of this aspect of economic development or at least, historians have not yet thought about it. It should however be noted that, monetary studies is fundamental in our history because money is central to the lives of people in our communities and societies, since trade relations and exchanges are inevitable. The centrality and weight of money to human life earned it an epithet "money makes the world go round" or "lack of money is the route of all evils",[19] and it is now in the view of some people as even being worshipped.[20] Money is central in both the local and international economy. It also has an all encompassing significance socially, politically, economically and even religiously. To put it in another way, political influence can hardly be exacted without the use of money in providing logistics. Economically speaking, exchange would be out of question where there is no money in the modern times. So also religiously, religious institutions are likely to suffer where there are no funds to construct places of worship- Mosques, Churches, Synagogues and even Shrines.

[18]P.J. Shea, "Making Money in Northern Nigeria…", *op.cit,* p. 272.
[19] G. Davies, *A History of Money From Ancient Times to the Present Day,* Cardiff, University of Wales Press, 2002, p.1.
[20]Listen for instance, to an audio song titled "Tsakanin Dan Adam da Kudi", by a Hausa Poet, Abdu Wazirin Danduna.

1.3 Aim and Objectives of the Research

The broad aim of this research is the study of the history of modern currency in the former Sokoto Province of Nigeria from 1903 to 2015. The work, thus hoped to achieve the following specific objectives:

(a) To examine the nature and manner in which pre-colonial currencies were replaced with British currency in former Sokoto Province of Nigeria.

(b) To discuss the effects of government policies on the changing value of the Nigeria's currency and exchange relations in former Sokoto Province of Nigeria.

(c) To show how socio-economic and political developments in Nigeria necessitate the change in the country's currency regimes or system as a whole and former Sokoto Province of Nigeria in particular.

(d) To analyze the relationship between changes in the Nigeria's currency and the country's economic growth with particular emphasis to former Sokoto Province of Nigeria.

(e) To discuss introduction of cashless policy and other modern related development in Nigeria as a whole and in the former Sokoto Province of Nigeria in particular.

1.4 Scope and Limitations

This study is limited to Sokoto Province as established in 1903.[21] The province consisted of Sokoto, Gwandu and Arungu Emirates as well as Yauri and Zuru Emirates which were transferred to Sokoto Province from Kontagora Province in 1924. While Yauri Emirate remained part of Sokoto Province, Zuru Emirate was again transferred to Niger Province in 1939. The two provinces (Sokoto and Niger) were later merged together in 1967 to form the then newly created North-western state. When in 1976 Niger Province

[21] The composition of Sokoto Province by 1903 consisted of Sokoto, Gwandu and Argungu Emirates. See E.J. Arnett, *Gazetteer of Sokoto Province*, London, Waterlow & Sons Limited, 1920, p. 1.

was detached from North-western state and made Niger State, Zuru Emirate was finally left in the then newly created Sokoto State. The geographical area that this research is concerned with therefore, had experienced series of excisions. It is that area of the former Sokoto Province of Nigeria that was equivalent to Sokoto State of between 1976 and 1991 that is, the present day Sokoto, Kebbi and Zamfara States. The area falls between latitudes 8^0 to 14^0 north of the equator and longitudes 11 E to 60 E.[22] It borders Niger Republic on the north and north-west, Benin Republic on the south, Niger State on the south-west, Kaduna State on the south-east and Katsina State on the east. It further covers an area of 101, 007 square kilometres.[23]

The year 1903 is chosen as starting point for the study because that was the year when the study area became formally incorporated into the British colonial state. It was also in that year that the British currency, from which the Nigerian currency evolved, was declared as a legal tender in the Nigerian area by Sir Fredrick Lugard following the conquest of Sokoto. Consequently, the colonial subjects in this part of the country were compelled to accept British currency as the only legal tender. While the year 2015 is chosen as a terminal point for the study, because 1st July, 2015 was the date set by the CBN to extend coverage of cashless policy in the remaining 30 states of the federation, including the study area covered by this reseaerch.[24] Although charges on cash

[22]North-western State: A Survey of Resources, Nigerian Institute of Social and Economic Research, Ibadan, April, 1972 P. 1.

[23] K. Swindle, "Introduction", in *Sokoto State in Maps: An Atlas of Physical and Human Resources,* London, University Press Limited, 1982, p. 1.

[24]This was following expiration of waiver period from 1st July, 2014 to 1st July 2015. Cashless policy is a CBN policy that aims at reducing the amount of physical cash in circulation and encouraging more electronic-based transaction with a view to among others, reducing the cost of banking services, checking high corruption level in the country and improving the effectiveness of monetary policy in managing inflation and driving economic growth. It pegs daily cash transactions and over the counter (OTC) for individuals and corporate bodies at ₦150,000 and ₦1,000,000 respectively. The amounts were later reviewed upward to ₦500,000 and ₦3,000,000 for individuals and corporate organisations respectively. This aspect would be discussed in detail in chapter 7. see O.O. Ovat, "The Central Bank of Nigeria's Cashless Policy in Nigeria: Benefits and Challenges", *Journal of Economics and Sustainable Development,* Vol. 3, No. 14, 2012, pp. 128-129, for more on the cashless policy.

withdrawals above limit pegged by the CBN has not yet been commenced in the study area, a number of financial services and transformations that are prelude to the cashless policy like use of Automated Teller Machines (ATMs), alerts system, adjustment to Nigerian Uniform Bank Account Number (NUBAN, 10 digits account numbers), mobile banking system, Point of Sales (POS) terminals, prohibition of encashment of third party cheque beyond ₦150,000 and introduction of Bank Verification Number (BVN); have already been put in place.[25] Consequently, the use of cash in the region's financial transactions is being discouraged and this is a turning point in the history of use of currency in the region.

1.5 Justification of the Study

It is sometimes surprising to go through learned and scholarly tomes on the economic development of Nigeria without ever coming across a line on money and banking. Regrettably, since the attainment of political independence in Nigeria, there has been little effort to preserve monetary and banking past. The stark reality is that despite the importance of monetary and banking history, its future is bleak in this country.[26] This is also in addition to the fact that the story of the economic development of Nigeria is largely the history of the Nigerian monetary and banking systems. The rapid development on all sectors of the economy such as the export boom of groundnuts, cotton, palm oil, cocoa and tin of 1900-30; the growth of the industrial and manufacturing components between 1950 and 1962, the oil boom of the 1970s and the development of public utilities would have been extremely difficult without the financial and the banking base of the economy.[27]

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[25]O.O. Ovat, "The Central Bank of Nigeria's...", *Ibid*, p. 129. The implication of prohibiting encashment of third party cheque beyond ₦150,000 is that any cheque above ₦150,000 originating from a third party must be lodged into the beneficiary's account.

[26]C.U. Uche, "The Future of the Past in Banking", being an Inaugural Lecture, Delivered at Main Hall, University of Nigeria, Enugu Campus, on 30th August, 2007, p. 3.

[27] I.R.A. Ozigbo, *A History of Igboland in the 20th Century*, Enugu, Snap Press Ltd, 1999, pp. 105-106.

The fact that it is now more than a century after the British have introduced modern currency in Nigeria, there is yet no any scholarly work done on the history of modern currency in the northern part of the country and this leaves a lot to be desired. This is despite the fact that of all aspects of colonial economy, the currency regime was the most pervasive because, not everyone was forced to face the guns of the invaders, not everyone produced export crops, not everyone went to school, hospital, court or prison, but ultimately everyone had to come to terms with colonial currency[28]. Since currency matters is a concern of all, its study is therefore of great importance. This work presents changes recorded in monetary policies since the inception of British administration in Nigeria, particularly in the way they have affected the area of study.

1.6 Conceptual Framework

This sub-section explains the two concepts used in this study as well as some theoretical issues to do with money.

The term 'modern' is used here to refer to the currency introduced by the British in Nigeria as a whole and Sokoto Province of Nigeria in particular, in replacement of pre-colonial currencies. It also refers to successor of the British currency in the study area, i.e. the Nigerian currency. On the other hand 'currency' refers to actual cash in circulation in the hands of people which they use in day to day economic transactions (serving as both medium of exchange and means of payment) in the former Sokoto Province of Nigeria.

In recent years there has been an intense controversy on what is and what is not 'money'. The controversy revolves around what functions money is expected to perform i.e. whether money is to be regarded as a mere medium of exchange or a store of value.[29]

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[28] P. J. Shea, "Making Money in Northern Nigeria…", *op.cit*, p. 271.

[29] K.K. Dewett, *Modern Economic Theory* (5th Edition), New Delhi, S. Chand & Company Ltd, 2010, p. 564. By store of value it means what is chosen as money should be something which can be kept for long periods without deterioration or wastage. It is a form in which wealth can be kept intact from one year to another.

Since there is no unanimity among scholars about what the definition of money is, a review of theory of money is therefore necessary here so as to base discussions in this study on a certain conceptual framework. It becomes necessary to have such a framework for, otherwise, we may easily loose direction and once ideas and facts of the study cannot be anchored together the whole work loses meaning.[30]

According to Johnson,[31] there are four main schools of thought on the definition of money. These are conventional, Chicago, Gurley and Shaw, as well as credit approaches.

The conventional approach is otherwise called the traditional definition of money or the currency school. It defined money as currency and demand deposits whose important functions are to act as medium of exchange.[32] The economists who belong to this school of thought defined money only on the basis of its function being a medium of exchange. They include in the term 'money' currency and demand deposits in banks but exclude all other assets like time deposits, bank deposits and liabilities of non-banking financial institutions.[33] Demand deposits are deposits that are kept either in savings or current bank accounts, which are accessible or withdrawable at any time by the depositor. Time deposits on the other hand, are type of deposits which are kept in 'fixed deposit' bank accounts. This type of deposit is not accessible by its depositors until an agreed maturity period between banks and depositors, which is usually fixed, is reached.[34] Whereas, non-banking financial institutions (NBFI) are financial institutions that do not have full banking license or are not supervised by a national or international banking

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Money is a bridge from present to the future; it is therefore essential that money commodity should always be one which can be easily and safely stored. See M.L. Jhingan, Monetary Economics…, *op.cit*, p. 16.

[30] A.I. Yandaki, *The State in Africa: A Critical Study in Historiography and Political Philosophy*, Zaria, Gaskiya Corporation Limited, 2015, p. 9.

[31] H.G. Johnson, "Monetary Theory and Policy", *American Economic Review*, Vol. 52, 1962, pp. 335-336. The author was a Professor of Economics at the University of Chicago from 1959 until his death in 1977. He was also a Professor of Economics at the London School of Economics from 1966 to 1974.

[32] M.L. Jhingan, Monetary Economics…, *op.cit*, p. 11.

[33] K.K. Dewett, Modern Economic Theory, *op.cit*, p. 564.

[34] M.L. Jhingan, Monetary Economics…, *op.cit*, pp. 6-7.

regulatory agency. They render bank-related financial services, such as investment, risk pooling and market brokering. Their typical examples include insurance companies, discount houses, pension funds administrators and bureau de changes.[35] The bank deposits and liabilities we are referring to here, therefore, belong to these non-banking financial institutions.

The main argument put forward in the conventional approach is that it is to serve as a medium of exchange and this is the primary function of money; therefore, only currency and demand deposits in banks should be regarded as money because they are perfectly liquid and are generally and immediately acceptable as medium of exchange.[36]

The second is the Chicago approach. This school of thought is associated with Milton Friedman and his followers at the University of Chicago. Hence the name 'Chicago approach'.[37] The basic idea underlying their approach is that they do not only regard money as a medium of exchange but also as a store of value. This means that other assets besides currency and demand deposits must also be included in the term 'money'. To them, in addition to the definition given by the conventional approach, other assets such as time deposits in banks and savings bank deposits can also be regarded as money since they are closely linked with demand deposits and they are liquid assets though not so liquid as the currency and demand deposits.[38] It is however important to note that time deposits in banks and savings bank deposits cannot generally and immediately be spent as money; they have to be converted into currency before they can be spent.[39]

[35] M.L. Jhingan, Money, Banking, International Trade..., *op.cit*, pp. 210-211.
[36] K.K. Dewett, Modern Economic Theory, *op.cit*, p. 564.
[37] M.L. Jhingan, Monetary Economics…, *op.cit*, p. 11.
[38] K.K. Dewett, Modern Economic Theory, *op.cit*.
[39] *Ibid.*

The other school of money definition is the one led by Gurley and Shaw.[40] They emphasise on the implications of velocity of circulation of money and the existence of substantial volume of liquid assets closely substitutable for money like short-term government securities, liabilities of non-banking financial institutions, time deposits in banks, post office saving bank deposits, etc. According to them, the definition of money as currency and demand deposits in banks is to be broadened to include time deposits in banks and other assets mentioned above.[41]

The fourth school of thought is the credit approach and there are two broad groups representing the approach. One group, consisting of the financial experts of the Federal Reserve System of the USA, emphasise the close substitutability between currency and bank credit. They substituted credit for currency since credit instruments are very close substitute for money.[42]

The second group adopts views of the Radcliffe Committee whose theoretical basis was provided by R.S. Sayers. This group replaced the concept of money by the general liquidity situation of the economy.[43] They are of the view that money supply and its velocity have little significance for an economy can substitute credit for money without any limit. For instance, a credit card can enable its holder to buy many things and this means a decrease in the velocity of circulation. In other words, Radcliffe-Sayers' argument is that money supply is not the main control of monetary action, because spending decisions do not depend only on money supply but the fate of liquidity of the economy. Liquidity means the case with which funds can be raised for financing purchases which in turn depends on the borrowing power of the community as a whole. These economists,

[40] J.G. Gurley and E. Shaw, *Money in a Theory of Finance*, Washington DC, Brokings Institutions, 1960.
[41] *Ibid*, p. 53.
[42] K.K. Dewett, *Modern Economic Theory ..., op.cit*, p. 565. See also, *H*.G. Johnson, "Monetary Theory and Policy..., *op.cit*, p. 337.
[43] M.L. Jhingan, Money, Banking, International Trade..., *op.cit*, p. 235.

therefore, reject money as an operationally useful concept and substitute for it, general liquidity position of the economy.[44]

It is clear from the foregoing that there is no consensus among economists regarding what is money and what is not money. However, in this study the conventional approach school of thought, which defined money as 'currency' on the basis of its function as a medium of exchange, is adopted. This is because money is regarded throughout the study as 'the actual cash in circulation' among the communities and societies studied. This has to be adopted for the fact that the study covers a stretch of traditional communities who perform their economic activities of trade and exchange largely in open and periodic markets as well as all imaginable places of buying and selling.

1.7 Research Methodology

In carrying out this research several methods of data collection were adopted. The nature of the research is such that requires multi-disciplinary approach because of its link with other academic disciplines especially economics. In view of this, apart from the primary and secondary sources of history, data for this study had also been generated from other sources such as questionnaires and field observations. The use of these sources was through analysis and interpretation.

Under primary sources, oral data, archival materials, seminar papers, theses, dissertations, speeches and government records that are relevant to this research work were utilized. The oral data were obtained through interviews with different categories of people who possess knowledge on the origin, development and transition of modern currency in the former Sokoto Province in particular and Nigeria in general. They included elderly people, long time traders, businessmen, and merchants in the study area, retired and

[44] H.L. Ahuja, *Advanced Economic Theory* (19th Revised Edition), Delhi, S. Chand & Company Ltd, 2013, p. 654.

serving officials of the Central Bank of Nigeria (CBN) and commercial banks across the country. Similarly, officials of the Nigerian Security Printing and Minting (NSPM), as well as officials of the Nigerian Deposit Insurance Corporation (NDIC) were interviewed. Oral data was also collected from the Ministries of Finance of three states which are now in place of our study area- the former Sokoto Province, i.e. Sokoto, Kebbi and Zamfara States. Information collected from them was corroborated with information in the secondary sources through analysis and interpretation. The archival materials were obtained from the Archive sections of Waziri Junaidu History and Culture Bureau, Sokoto, National Archives, Kaduna and Arewa House Archive, Kaduna. Government records dealing with currency were obtained from Federal and States Ministries of Finance, NSPM, as well as other government departments that have a stake in currency operation in the country in general, and the study area in particular.

Secondary sources in the form of published materials, such as journal articles, books, newspapers, magazines, bullion of the CBN, quarterly journals and other publications of the NDIC as well as publications of the NSPM that are relevant to this research had been widely consulted and utilized for the purpose of this research.[45] Most of the works are available at Abdullahi Fodiyo Library Complex of the Usmanu Danfodiyo University, Sokoto, Sokoto State Library, Sokoto, Waziri Junaidu History and Culture Bureau library, Sokoto, Kashim Ibrahim Library in Ahmadu Bello University, Zaria and Arewa House Library, Kaduna as well as at research and currency operation departments of the CBN headquarters, Abuja and its branches in Sokoto, Kebbi and Zamfara States. These places were visited by the researcher and relevant works were consulted. Internet sources that were found useful to this research had also been consulted and utilized though

[45] Bullion is a quarterly publication of the CBN and it is readily available in all branches of the apex bank across the country.

with utmost care, bearing in mind the problem of accuracy associated with internet materials.

As means through which data or information are generated pertaining to research problems, issues or events; sources are very central in any type of meaningful research. Thus, the sources mentioned above as well as methods adopted by the researcher in consulting and utilizing them have no doubt played significant role in generating the findings of this research report. Moreover, most of them provided rich information on the monetary history and exchange relations in our study area in particular and other parts of Nigeria in general.

1.8 Literature Review

Although it is stated in the statement of the problem that the study of modern currency from historical perspective has not received the attention it deserved from the students of Northern Nigerian History, a lot has been written on the trends and changes in the currency system of not only different sections of this country but also the entire country and the World at large. There also exist some works that are in one way or another related to monetary development in different parts of Africa. These range from books to published articles in journals, chapters in books, theses, dissertations and conference/seminar papers. Those that proved relevant and provide useful information on pre-colonial, colonial and post colonial currency systems are reviewed in this work.

One of such works is the article written by Kirk-Green.[46] This is no doubt very useful to this work because it provides information regarding the nature and distribution of major currencies in the Nigerian history, especially during the pre-colonial and colonial periods. According to the author several forms of commodity currencies like cowries,

[46]A.H.M. Kirk-Green, "The Major Currencies in Nigerian History"..., *op.cit.*

manillas, slaves, beads, salt, brass wire, cloves and needles were used as currencies in different parts of the country during the pre-colonial period. Cowry was further described by this author as "one of the most distinctive and widespread of pre-colonial Nigerian currencies".[47] He added that besides these, one currency that gained wide circulation between Europeans and Africans was the Spanish doubloon and dollar.[48]

Another source of inspiration to this work is that of Hopkins.[49] His work enables us to understand what the author called "currency revolution". He used data relating to Lagos and its hinterland to examine three main problems: first, the nature of the traditional monetary system based on cowries and dollars; second, the causes and consequences of the decline of that system; and, finally, the timing of the transition to the use of British silver coin. According to him, the close of the 19th century saw the beginning of an economic revolution in West Africa. He further observed that until the second half of the 19th century, the media of exchange in different parts of West Africa consisted mainly of a variety of "primitive" currencies, but by the second decade of the 20th century these currencies had been largely replaced by British silver coin.[50]

By 1880 the traditional currency system was in decline as a result of the depreciation of the cowries and the demonetization of the dollar; this decline did not merely emphasise the need for a modern and stable medium of exchange, it made it possible. It was only after 1880 that the sterling (British currency) began to circulate on a large scale; by about 1890 it was the dominant currency in Lagos, and by 1900 it was circulating freely in the hinterland. It should therefore, be noted that the introduction of a

[47] *Ibid,* p.136.
[48] *Ibid,* p. 144.
[49] A.G. Hopkins, "The Currency Revolution in South-West Nigeria…", *op.cit.*
[50] *Ibid,* p. 471.

modern currency system (and subsequently of modern banking facilities) were events of great significance for the development of the colonial economy.[51]

Johnson's article[52] also contains some useful information that is of great importance to this work. According to her, the eighteenth-century Ounce represents an attempt to introduce a monetary system into what had hitherto been a barter trade on the Guinea Coast. One of the disadvantages of a barter system she added, was that it was hard for either party to know if it has had the best of the bargain; and this was particularly serious where one or both parties was acquiring goods for further trade elsewhere. She further stated that in the Guinea Cost trade, the African traders probably thought in terms of the local currency (gold dust or cowries or whatever it might be), while the European merchants thought, in part at least, in terms of the first or prime coast of their goods-the money which had been paid for them in Europe.[53]

The book written by Basden[54] is also quite relevant. Even though the title of his book sound irrelevant to this research work, the author provided a chapter titled "trade and currency",[55] where he explained that before the introduction of English coinage local currencies were in use. He added that in the northern and western parts, cowrires were the most popular form of currency and in the southern and eastern districts there was strong demand for manillas and brass rods. He further stressed that in the northern parts the manilla was not current, and the brass rods were needed solely for the sake of being converted into leg rings for girls.[56]

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[51]*Ibid*, p. 483.
[52]M. Johnson, "The Ounce in Eighteenth-Century West African Trade", *Journal of African History*, Vol. VII, No. 2, 1966, pp. 197-214.
[53]*Ibid*, p. 197.
[54]G.I. Basden, *Among the Igbos of Nigeria*, London, Frank Cass and Co. Ltd, 1966.
[55]*Ibid*, Chapter XVIII pp. 194-201
[56] *Ibid*, p. 198.

Another scholar whose work is a source of inspiration to this work is Johnston[57] who has shown in his study that throughout the greater part of the Empire (Sokoto Caliphate), the main currency for all forms of commercial transactions was cowry shells (*cyroea moneta*). He added that cowry shells were found in the Indian Ocean and that for many centuries they served the people of the Sudan as a coinage. He however, explained that as a currency, cowries had the disadvantage that they were bulky so much so that only 100,000 of them went to the load of a normal camel. Consequently, as he further stated, cowries were ill-suited for major transactions and payments for big deals were therefore, usually made in slaves rather than in shells.[58]

Crowder, in one of his studies[59] stated that with the imposition of colonial rule on West Africa, the greatest hindrance to the expansion of commerce brought about by the railways was the lack of a uniformly accepted portable currency. The only currency that had gained universal acceptance in West Africa was the cowry, which, valued at 4,000 to the shilling in 1900, was quite impossible as a basis for large-scale commercial transactions since the cost of portage of cowries was quite prohibitive. He added that the installation of colonial government however, necessitated the introduction of commonly accepted currency as well as a banking system. Subsequently, the main problem faced by the newly introduced currency, was how to gain acceptance of not only the coin, but more particularly paper money.[60]

Johnson[61] has provided another article which contains some useful information especially on the cowry currency in West Africa. According to her, the earliest currency area of the cowrie in West Africa was on the upper and middle Niger in the medieval

[57] H.A.S. Johnston, *The Fulani Empire of Sokoto,* London, Oxford University Press, 1967.
[58]*Ibid,* pp. 163-164.
[59]M. Crowder, *West Africa Under Colonial Rule,* London, Hutchinson & Co. (Publishers) Ltd, 1968.
[60]*Ibid,* p. 278.
[61]M. Johnson, "The Cowrie Currencies of West Africa, Part I", *Journal of African History,* Vol. XI, No. 1, 1970, pp. 17-49.

period. She added that cowries reached Hausaland in the first half of the eighteenth century. They were known to be the currency of Katsina in 1790, when Beaufoy was reporting from North Africa, and there is no suggestion that they were of recent introduction at that date. By 1822, when Clapperton was there, cowries had reached Katagum. By the 1890s cowries were in use in Adamawa also; but they did not apparently extend as currency east of Lake Chad, except to a limited extent in the market of towns of Bagirmi in the latter half of the nineteenth century.[62]

In part II,[63] she further explains that by the beginning of the twentieth century cowries had begun to go out of use in a number of areas where they had been established for centuries. She argued that few cowries remained in use after the First World War, though they reappeared in some markets during the depression years, when the decline in value of cash crops exports led to shortages of coin. On the whole, this second part deals with the value of cowries from the fourteenth century in various parts of West Africa, in terms of gold and silver, and also in terms of commodities. An attempt has been made by the author in this second part to throw light on such problems as the effects of slave trade on the economy of West Africa, and also on the extent of the internal exchange economy before the beginning of the colonial period.[64]

Another article of great relevance to this work is that of Latham[65] who identified two forms of primitive currencies on the Cross River during the pre-colonial period. These were the general purpose currencies whose units were used as medium of exchange without restriction; and primitive rationing systems where the unit was used to control the

[62]*Ibid*, pp. 32-33.
[63]M. Johnson, "The Cowrie Currencies of West Africa, Part II", *Journal of African History*, Vol. XI, No. 3, 1970, pp. 331-353.
[64]*Ibid*, pp. 352-353.
[65]A.J.H. Latham, "Currency, Credit and Capitalism on the Cross River in the Pre-Colonial Era", *Journal of African History*, Vol. XII, No. 1, 1971, pp. 599-605.

distribution of status goods, in order to reinforce the social order.[66] Under the first type of primitive currency, the author explains that there was ample evidence to show that elsewhere in the Cross River rod currency area, rods were divisible into wires which were used as a medium of exchange for every day consumer goods, and were therefore, clearly a general purpose currency. He added that because it was a general purpose currency, the rod facilitated credit and accumulation of capital in the capitalistic commercial system. He further argue that capitalistic means of production in crafts or agriculture were not adopted in the Cross River until the late 1870s, with the attempt to develop cocoa as a cash crop, which failed due to the unsuitability of the area. Instead, surplus capital was converted into slaves, because they were wealth in themselves, and enhanced their masters' security and status.[67]

Mcphee's book[68] is another relevant work that is of immeasurable contribution to this work. The author discussed in the book that, the function of currency is to facilitate exchange by providing something for which people are always ready to give goods. According to him, quite early in the economic history of West Africa, silver coins were introduced from Europe, and in the nineteenth century Maria Theresa dollar, an old Austrian coin, became a special favourite with the natives. He added that fitful efforts were made to introduce English currency into West Africa throughout the whole of the nineteenth century, but with little success.[69]

In another study by Willis, [70] we are also made to understand that during the pre-colonial period, commercial transactions in the Upper and Middle Niger were effected by

[66] *Ibid*, p. 599.
[67] *Ibid*, p. 605.
[68] A. Mcphee, *The Economic Revolution in British West Africa*, London, Frank Cass & Co. Ltd, 1971.
[69] *Ibid*, p. 235.
[70] J.R. Willis, "The Western Sudan from the Moroccan invasion (1591) to the death of Al-Mukhtar Al-Kunti (1811)", in J.F.A. Ajayi & M. Crowder, *History of West Africa* (eds.), Vol. 1, London, Longman, 1971, pp. 512-555.

means of two major currencies: cowry shells and gold coins (*mithqals*). He opined that cowry shells seem to have been the most convenient means of conducting small market transactions, whereas gold coins were served for transactions involving substantial sums of money. The use of these two major currencies, as he further stated, appeared to have been restricted to the principal commercial centres situated along the main caravan routes; while outside these trading establishments, barter arrangement appeared to have characterised the daily economic life of rural villages.[71]

Ofonagoro's Ph.D work[72] is indeed another source of inspiration to this work. He discusses among other things in the work, currency in pre-colonial and early colonial southern Nigeria as well as demonetization of traditional currencies and imposition of British currency. He was very explicit to explain that long before the trade of the Delta and its hinterland came to be dominated by mercantile houses from Liverpool, Glasgow and London, the peoples of that area possessed a well established currency system which among other things consisted of brass rods, manilas, copper wires and cowries. He added that though the origin of these means of exchange and standard of value is obscure, it is however, sufficient to note that manilla were already in use in Benin as early as 1522. He further stated that the permanent officials at the colonial office, the local administrators sent out to organize the Government of the Niger Coast Protectorate after 1891 and, of course, the British commercial community in the Delta Coast were fully aware of the existence of these currency media, and even recognized them initially as legal tender.[73]

Ekundare's work[74] is another work that contains valuable information concerning the evolution of modern currency in Nigeria as well as trends and changes in the Nigerian

[71]*Ibid*, p. 550.
[72]W.I. Ofonagoro, "The Opening up of Southern Nigeria to British Trade and Its Consequences: Economic and Social History 1881-1916", Ph.D (History), Columbia University, 1972.
[73]*Ibid*, p. 123.
[74]R.O. Ekundare, *An Economic History of Nigeria 1860-1960,* London, Mathuen & Co Ltd, 1973.

currency system. According to him, the people of Nigeria had adopted the barter system of exchange long ago. However, with the gradual growth of the economy, some degree of specialization was achieved thereby making exchange by barter cumbersome and unsatisfactory, particularly in the big towns. He added that as result of the increasing foreign contact with North Africa through the trans-Saharan trade, and along the coastal areas with European traders, a number of commodity currencies and foreign coins found their way into Nigeria.[75]

Until 1900, as he further explains, Nigeria had no generally accepted currency. A number of foreign coins, including gold and silver sterling, American doubloons, French franc pieces and some locally-adopted commodity currencies such as cowries, manillas, and gold dust were in circulation. Some measures were eventually taken by the colonial government in Nigeria in order to control the use of commodity currencies. For instance, in 1902 a government proclamation fixed prices in sterling (British currency) for manillas and Maria Theresa dollars, and prohibited their further importation. Also, in 1903 the British Government introduced a bronze coinage into Nigeria, and in order to solve the coin currency problems, Lugard proposed in 1905 that a new coinage common to Southern and Northern Nigeria be introduced.[76]

In a chapter of a book contributed by Flint,[77] explanations were offered on the fact that the economy of West Africa in the 19th century was one of considerable complexity, which had long before passed the stage of simple barter, in which buying and selling, especially in the long distance trades, was conducted with the aid of complicated systems which utilised easily stored commodities such as metal bars, foreign coinage, gold dust, or even alcoholic liquor to serve as "currencies". Sometimes, the author added, prices were

[75] *Ibid*, p. 48.
[76] *Ibid*, pp. 187-188.
[77] J.E. Flint, "Economic Change in West Africa in the Nineteenth Century", in J.F.A. Ajayi & M. Crowder, (eds.), *History of West Africa* (eds.), Vol. II, London, Longman, 1974, pp. 380-401.

calculated abstractly in terms of 'bars' or some other unit which was not actually exchanged at all.[78]

Lovejoy's article[79] is another useful source of information to this work. According to him, only recently have historians devoted much attention to monetary developments in African history, primarily because the substantivist school of economic anthropology, which has argued that so-called western economic theory does not apply to African situations, has dominated the field. This view has been increasingly under attack in recent years, particularly by a new group of economic historians who have found many aspects of formal economic theory useful in the reconstruction of Africa's past. He added that Marion Johnson's pioneering work on the gold mithqal and cowrie shell, has documented the spread of a common currency over much of West Africa, throughout an area encompassed by Lake Chad in the east, the upper reaches of the Senegambia in the west, the southern Sahara in the north, and the region between the Volta basin and the Niger Delta in the south. The study of other currencies, as he further stated, including the copper rod standard of the Cross River basin in Nigeria and Cameroons, and the cloth money of the Senegambia, has demonstrated the importance of other standards besides cowries and gold, so that it is now known that virtually all of pre-colonial West Africa had economies sufficiently developed to require the use of circulating mediums of exchange and units of account.[80]

The work of Shenton and Freund[81] provides detailed discussions on the way and manner in which Northern Nigeria was incorporated into world capitalist economy by the British and one of such ways according to them, was through demonetization of pre-

[78]*Ibid*, pp. 390-391.
[79]P.E. Lovejoy, "Interregional Monetary Flows in the Pre-colonial Trade of Nigeria", *Journal of African History*, vol. xv, no. 4, 1974, pp. 563-585.
[80]*Ibid*, p. 563.
[81]B. Shenton and B. Freund, "The Incorporation of Northern Nigeria into the World Capitalist Economy", *Review of African Political Economy,* Lagos, Afrografika Publishers, 1974, pp. 8-20.

colonial currencies and in their place British currency was made legal tender in the region. It also examines the social relations of production and the forms in which surplus was extracted from the producers in the nineteenth-century Hausaland and in colonial Northern Nigeria. The era of colonialism in Northern Nigeria was further described by these authors as, a period of transition to peripheral capitalism whereby surplus was transmuted into cash and commodities from which surplus value could be extracted. Thus, the colonial economy was integrated into the capitalist world market. Henceforth the pre-existing African economic institutions and relations of production in the domestic economy were either adjusted or overhauled. All British colonies in West Africa- the Gambia, Sierra Leone, the Gold Coast (modern Ghana) and Nigeria embraced the market economy and used a common currency for exchange purpose. It was then easy to subsume the colonies under the British policy of money supply, regulation of market prices, inflation, trade, banking, taxation, wages and salaries, public finance and development projects.[82]

Ikime's work[83] is also useful to this study, at least for the information it provides concerning the British conquest of not only the study area covered by this research, but also the British conquest of the whole northern Nigeria and Nigerian area at large. This is very important because the introduction of modern currency in Nigeria by the British was as a result of the British conquest of the country.

The work of Jones[84] is also instrumental to this work because it contains some valuable information on the spread and usage of pre-colonial currencies in southern Nigeria and even beyond. He explains that, ethnographic data collected in the early twentieth century indicated three main Native currency areas where the unit of currency was, respectively, the cowrie, the manila, and the brass rod. He added that the cowrie area

[82] *Ibid,* pp. 1, 12-16.
[83] O. Ikime, *The Fall of Nigeria,* London, Heinemann Educational Books, 1977.
[84] G.I. Jones, "Native and Trade Currencies in Southern Nigeria During…", *op.cit,* pp. 274-283.

comprised the whole of the present Western Region of Nigeria (Yoruba, Benin) and adjacent areas of Dahomey, part of the Northern Region (Nupe, Hausa), and part of the Eastern Region including the Northern Igbo, the Isuama Igbo, and most of the Riverain Igbo. The manila area comprised the Eastern Delta, the Southern Igbo, and most of the Ibibio. The Brass Rod area comprised the peoples adjoining the Cross River, that is the Efik, and some other Ibibio tribes, the Cross River Igbo, the North Eastern Igbo, the Ekoi, Yako, Mbembe and other tribes of the present Obubra, Ogoja, and Mamfe divisions of the Eastern Region and Cameroons.[85]

Ofonagoro has provided another valuable work[86] which is of immense contribution to this work. He argues in this article that between 1880 and 1948, the British Colonial Government consciously and systematically debauched the pre-existing currencies of Southern Nigeria, replaced them with British currency without fair provision for compensating the African population for their losses. Soon after establishing political control, the British colonial administration in southern Nigeria replaced the pre-existing currencies of the country with British currency, even though it took them about fifty years before the pre-colonial currencies they attacked and unrecognized as legal tender, lost standing and proved worthless to their last holders.[87]

Tukur's study [88] is another source of information to this work. According to him by the end of year 1914, all the British taxes in northern Nigeria were being paid in British currency though, that was not the case at the time of their first imposition. He argued that by that time, it was absolutely unrealistic for the British to demand that payments be made in their currency which was just being introduced and was hardly being accepted by the

[85] *Ibid,* p. 278.
[86] W.I. Ofonagoro, "From Traditional to British Currency in Southern Nigeria...",:*op.cit,* pp.623-654.
[87] *Ibid*, p. 623.
[88] M.M. Tukur, "The Imposition of British Colonial Domination on the Sokoto Caliphate, Borno and Neighbouring States: 1897-1914: A Reinterpretation of the Colonial Sources", *Ph.D (History)* Thesis, Ahmadu Bello University, Zaria, 1979.

population of Emirates of northern Nigeria.[89] He however added that, right from the time of the imposition of British taxation, the *kudin kasa*[90] was assessed in terms of British money. This was as he further discussed, because of British desire to establish their currency as the country's standard currency, a position which at the time of British occupation was in the emirates and Borno occupied mainly by the cowry and to a lesser extent by the Maria Theresa dollars and cloth.[91]

The work of Abubakar[92] provided detail analysis of the British conquest and imposition of colonial rule on the entire region of Northern Nigeria. He argues that among the new policies proclaimed by the British following the imposition of colonial rule in Northern Nigeria, those on slavery, justice and taxation had a rather negative impact on the powers of the emirs. As regards taxation, Lugard had made it clear that the British sovereignty in the protectorate of Northern Nigeria include not only the right to appoint emirs and all officers of the state, but also ultimate right to levy taxes. The payment of new taxes levied by the British was further made to be compulsory in the new currency they introduced at the inception of colonial administration in 1903.[93]

Anagbogu's M.A. Dissertation[94] also contains some valuable information to this work. This is in addition to the fact that his study area (Sokoto-Zamfara confluence) formed greater part of the scope of this work. According to him, apart from the importation of new commodities like gold and kola nut into his study area, the *Wangara*[95] appeared to

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[89] *Ibid*, p. 746.
[90] This was among different types of taxes imposed by the British on the people of northern Nigeria. Others were: *the jangali* (cattle tax), customs duties, caravan tolls, hawker's licences, native liquor licences and *kudin su* (fishing tax). See M.M. Tukur, "The Imposition of British Colonial Domination…", *Ibid*, p. 531.
[91] M.M. Tukur, "The Imposition of British Colonial Domination…", *op.cit,* p. 748.
[92] S. Abubakar, "The Northern Provinces Under Colonial Rule: 1900-1959", in O. Ikime (ed.), *Groundwork of Nigerian History*, Ibadan, Heinemann Educational Books, 1980, pp. 447-481.
[93] *Ibid*, pp. 455-457.
[94] I. Anagbogu, "Trade in the Nineteenth Century Sokoto-Zamfara Confluence Area", *M.A. (History)* Dissertation, University of Ibadan, 1980.
[95] This is a group of Mande Dyula Muslim merchants and clerics from Mali. See S.A. Balogun, "History of Islam up to 1800" in O. Ikime (ed.), Groundwork of Nigerian History*..., op.cit,* p. 211.

have integrated the region into Songhai's monetary system, which was based at that time, mainly on gold. By 1570's gold was a standard medium of exchange in Hausaland. The people's term for money (*kurdi*) is said to be of Mande origin and this suggests that the people's ties with Songhai and the West were very strong. He added that the use of cowrie shells as one of the medium of exchange facilitated the process of commerce.[96]

Jhingan,[97] though an Economist, has provided a work that is of great relevance to this work. The book contains some useful information about barter system, evolution of money, classification of money, functions of money, characteristics of money, significance of money, role of money in a capitalist economy and role of money in a socialist economy. According to him, the word "money" is derived from Latin word "Moneta" which was the surname of the Roman Goddess of Juno in whose temple at Rome, money was coined. He added that the type of money in every society at a given period of time depended on the nature of its livelihood. Thus, as he further stated, in a hunting society, the skins of wild animals were used as money; the pastoral society used livestock; the agricultural society used grains and foodstuffs as money; whereas the Greeks used coins as money. The author classified stages in the evolution of money as follows: commodity money, metallic money, paper money, credit money and near money.[98]

Another relevant work worth reviewing is that of Tibenderana.[99] This book contains some useful general information about Sokoto Province (Sokoto, Gwandu and Argungu Emirates), to the outbreak of Second World War in 1939. Considering the geographical area covered by this work, the only information that is lacking in Tibenderana's work is that on Yauri and Zuru Emirates which were transferred to Sokoto

[96] I. Anagbogu, "Trade in the Nineteenth Century…", *op.cit,* p. 26.
[97] M.L. Jhingan, Money, Banking, International Trade…, *op.cit,* 1984.
[98] *Ibid,* pp. 3-5.
[99]P.K. Tibenderana, *Sokoto Province Under British Rule, 1903-1939,* Zaria, Ahmadu Bello University Press, 1988.

Province in 1925 from Kontagora Province. There also exist in his work, Lugard's second speech at Sokoto which he delivered on 21st March, 1903 outlining British colonial policy, where he made it categorically clear that "…the coinage of the British shall be accepted as legal tender, and a rate of exchange for cowries fixed…"[100]

Hogendorn and Gemery have jointly published an article[101] that is of great relevance to this work. This article surveyed the stages in West African monetary history namely the early currency imports, when the slave trade dominated the West African export trade; the nineteenth-century when the abolition of the slave trade altered the import of currencies; the colonial period, when more formal "modern" moneys displaced the older indigenous forms of currency, and a postscripts that identifies similarities between some of the post-independence currencies and the colonial issues. Each of these time periods, they added, presents scholars with quite different questions for study, with numerous aspects of the West African monetary experience still vastly under-researched.[102]

Another work that is informative to this research work is that of Apata.[103] The author explains that between 1901 and 1903, Lugard embarked on a systematic conquest of the emirates of Northern Nigeria which was concluded with the conquest of Sokoto on March 15, 1903. The capitulation of Sokoto Caliphate led Lugard to create 13 provinces in 1903. The provinces counted 16 in 1904. They were: Kabba, Ilorin, Bassa, Muri, Adamawa, Nassarawa, Nupe, Borgu, Kontagora, Zaria, Sardauna, Sokoto, Kano, Katagun, Borno and Bauchi.[104] Since the territorial scope of this study is limited to the areas that belonged to 2 of these provinces (Sokoto and Kontagora) at the inception of British

[100] *Ibid,* pp. 263-264.
[101] J.S. Hogendorn and H.A. Gemery, "Continuity in West African Monetary History: An Outline of Monetary Development", *African Economic History,* Vol. 17, 1988, pp.127-146.
[102] *Ibid,* p. 128.
[103] Z.O. Apata, "Lugard and the Creation of Provincial Administration in Northern Nigeria 1900-1918", *African Study Monographs,* Vol. 11, No. 3, December 1990, pp. 143-152.
[104] Ibid, p. 147.

administration in Northern Nigeria, Apata's work provide some background information on the study area.

Guyer's work[105] contains a number of chapters that are of immense contribution to this work. Some of them include, "the currency interface and its dynamism", "pre-colonial currency dynamics", "currency revolutions redescribed", "colonial situations in long-term perspective", "money and informal credit institutions in colonial western Nigeria" and "monetization and the meaning of transactions in West African economies". By examining currency and value in African communities, the number of chapters in the book highlights ordinary people's conceptions of money, their innovations in its use and the interactions between indigenous and international monetary systems. It also complements the new history of imperialism, suggests fresh ways of analysing money in developing areas, and contributes to a new economic anthropology of West Africa.

In a chapter of a book written by Falola,[106] he has argued that though it was true that goods were exchanged by barter in many societies in West Africa during the pre-colonial period, barter as a system of exchange, was however not as dominant as many anthropologists would want us to believe. He added that the use of money for transactions was the most common since within a region alone, there could be as many as four. In Nigeria for example, cowries, brass, iron and copper objects were commonly used. Three varieties of currencies were also widespread in West Africa. The first one was cloth money. The use of cotton strips was reported among the Kanuri in Nigeria and the Wolof in the Senegambia. The second was metal currency. Gold, copper and iron rods were used in different parts of West Africa. Manillas, currencies made of brass and copper, were widely used in the Niger Delta and a variety of iron wires were in circulation in the Upper

[105] J.I. Guyer, (ed.), *Money Matters: Instability, Values, and Social Payments in the Modern History of West African Communities,* New Hampshire, Heinemann Educational Books, 1995.
[106] T. Falola, "Trade and Markets in Pre-colonial Economy", in G.O. Ogunremi and E.K. Faluyi (eds.), *An Economic History of West Africa Since 1750,* Ibadan, Rex Charles Publication, 1996, pp.54-64.

Guinea coast. The third variety of currency was cowry shells. They were used in virtually the whole of West Africa.[107]

All the above varieties of currencies facilitated exchange of goods and services. Transactions could be made by making use of the currencies in places where they were legal tenders. The currencies also made it possible to establish a capital market where people could borrow money. There were small-scale credit institutions like the *esusu* among the Yoruba and large-scale ones organised among long-distance traders.[108]

In another chapter of the same book, Falola examines trade with Europeans in the 19th Century.[109] According to him, the system of exchange between the Europeans and the coastal traders on the one hand and the coastal traders and those in the hinterland on the other was based on the use of currency and mostly on trust[110] or barter system. He added that the use of currency was not strange in West Africa. The various forms of currency continued to be in use for domestic transactions. New forms were, however, added by the Europeans. For example, Spanish dollars and doubloons imported from Spain, Americas and Portugal were widely used by European and African traders in the coast. British and French silver coins were also in circulation. He concluded that these new money gradually displaced the pre-19th century currencies.[111]

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[107] *Ibid,* p. 55.
[108] *Ibid*
[109] T. Falola, "Trade with the Europeans in the 19th Century", in G.O. Ogunremi and E.K. Faluyi (eds.), *An Economic History of West Africa…Ibid,* pp. 91-104.
[110] A trust system was an arrangement whereby manufactured goods were exchanged with African raw materials through the barter system. The European traders would give their goods to their African agents on credit. The African agents would sell the goods and use the money to buy African products or, in some cases, the agents would exchange the European goods with African products. Later (from a month to a few years), the African Agents would repay the European traders with African goods equivalent to the amount of goods which they had received. See T. Falola, "Trade with the Europeans..., *Ibid,* p. 98.
[111] T. Falola, "Trade with the Europeans in the 19th Century"…, *op.cit,* pp. 97-98.

Jumare's article[112] is very relevant to this research work not only for the information it contains on introduction of colonial currency in the capital emirate of Northern Nigeria (Sokoto), but also because of information it provides on colonial taxation, which was one of the policies adopted by the colonial state to ensure circulation, acceptability and usage of the British currency among the natives. He stated that in order to reinforce its taxation policy and appropriate the surplus produced by the peasants, the colonial state abolished the collection of taxes in kind and local currencies, and insisted on the use of the new currency introduced by the British.[113] He added that the imposition of colonial taxation was a means of exploiting the peasantry, who had to produce cash crops at the expense of subsistence in order to pay their taxes.[114]

The work of Ozigbo[115] although is on the History of Igboland in the 20th Century, the author however provided a chapter titled "Currency and Banking: The Nigerian Experience, 1900-1960",[116] that is of immense significance to this work. The chapter surveys the currency situation in the country before the introduction of the colonial monetary system, and examines the origins, nature and role of West African Currency Board in the evolution of the Nigerian Currency. It further discusses the importance of the expatriate and indigenous banks in Nigeria as well as the development of the Nigerian banking system which culminated in the establishment of the Central Bank of Nigeria in 1959.

According to him, the history of currency in pre-colonial Nigeria was not exclusively that of primitive currency. Though pre-colonial Nigeria minted no coins he noted, however, what obtained in terms of coinage came from European traders and

[112] I.M. Jumare, "Colonial Taxation in the Capital Emirate of Northern Nigeria", *African Economic History,* No. 26, 1998, pp. 83-97.
[113] *Ibid,* p. 83.
[114] *Ibid,* p. 86.
[115] I.R.A. Ozigbo, A History of Igboland in the 20th Century..., *op.cit.*
[116] See chapter six of the book on pp. 95-113.

merchants. He added that the earliest indices of coinage occurred in the 7th century BC in Anatolia,[117] Northern India and China. Certain European and American coins later found their way into pre-colonial Nigeria. For example, the Spanish silver dollar, which was introduced into West Africa in the 18th century, became the first coin currency to circulate in Lagos. The Austrian Maria Theresa of 1780, also reached Northern Nigeria in the 18th century. It found its home in Borno in the 19th century and continued to circulate freely even after the British Administration banned its further importation in 1904. With the colonisation of Lagos in 1861, British silver coins (florin and shilling) began to register their presence in the area. The currency map of Nigeria began to change very rapidly, he further argued, with the firm control of the country by the three colonial governments of Nigeria based at Lagos, Calabar and Lokoja in 1900.[118]

Another useful work worthy of review in this work is produced by Davies.[119] There are such useful information in the work as the nature and origins of money and barter, economic origins and functions of money, importance of money, development of Greek and Roman money, rise and fall of world's first paper money, early growth of British banking, ascendancy of sterling, British monetary development in the 20th century and global money in historical perspective. There also exists in this work such money related axioms like "money makes the world go round" as well as an argument on weather "the love of money is the root of all evil" or "lack of money is the root of all evil".[120]

[117]Anatolia is a peninsula of land that today constitutes the Asian portion of Turkey. Because of its location at the point where the continents of Asia and Europe meet, Anatolia was, from the beginnings of civilization, a crossroads for numerous peoples migrating or conquering from either continent. See http://en.wikipedia.org/wiki/Anatolia retrieved Tuesday16th April, 2013.
[118] I.R.A. Ozigbo, A History of Igboland in the 20th Century..., *op.cit*, pp. 97-98.
[119] G. Davies, A History of Money From Ancient Times to the Present Day…, *op.*cit.
[120] *Ibid*, p.1.

The work of Shea[121] which is a pioneer historical work on modern currency in the whole of northern Nigeria is no doubt of immense contribution to this work. His article centres on what he described as "the most pervasive of all the colonial economic policies, the colonial currency".[122] Unlike what scholars like Hopkins[123] and Ofonagoro[124] want us to believe, that since all imported currency to Nigeria during colonial rule came through Logos it was therefore only "Lagosians" (people of Lagos) and southerners who alone experienced hardship and paid for the imported currencies; he argued that all the imported currencies had to be paid for by new surpluses of Agricultural exports and much of these came from the North, particularly in form of hides and skins, groundnut and cotton exports.[125] He added that there were many different kinds of money used in the Nigerian area in pre-colonial times. Some of them had very limited areas in which they were used while others were used over vast areas including many polities.[126]

Another important work worthy of review in this work is that of Chukwu.[127] The work explains that early in the days of colonialism, economic policies particularly in the field of banking and currency, were crafted by the Europeans for the benefit of their exploitative enterprise. Among the results of British adventurism in Nigeria was the successful de-monetisation of the traditional currencies in the 20th century. In their place was introduced the British monetary system consisting of the coins and notes. These forms of money thus became a common denominator for economic exchange in colonial Nigeria. Following the attainment of political independence in 1960, Nigerian authorities had to introduce what might be described as truly Nigerian currencies. In the 1960s, these

[121] P.J. Shea, "Making Money in Northern Nigeria…", *op.cit,* pp. 271-301.
[122] *Ibid,* p. 271.
[123] A.G. Hopkins, "The Currency Revolution in South-West Nigeria...", *op.cit.*
[124] W.I. Ofonagoro, "From Traditional to British Currency in Southern Nigeria…", *op.cit.*
[125] P.J Shea, *op.cit*.
[126] *Ibid*, p. 273.
[127] D.O. Chukwu, "Trends and Changes in the Nigerian Currency System…", *op.cit,* pp. 87-101.

currencies were still patterned after the British. However, in 1973 the authorities introduced the Naira and Kobo as an independent Nigerian currency.[128]

Adetula's work[129]contains some valuable information particularly on the influence of money in the Nigerian politics. The author traced the origin of the unregulated use of money in the country's politics to the antecedents in the history of modern Nigeria, beginning with the politics of nationalism in the 1950s. Though the author accepts that money matters a lot for democracy to prevail since much of democratic political activity could not simply occur without it, he contends that money politics in Nigeria is in recent years quickly shrinking the political space and becoming a key variable in determining who participates in electoral politics and how. The work added that today, money drowns votes and voices in Nigeria so much so that 'godfathers' openly confess about shady deals, funding or sponsoring elections for 'godsons' and for purchasing electoral victory.[130]

The work of Fuller[131] is no doubt another source of inspiration to this work. The chapter explores the validity of the arguments articulated by the British colonial administration and business interests in favour of the institution of a colonial common currency system in British West Africa in 1912. It also provided an analysis of the extent to which the native populations accepted or challenged the new colonial monetary order, and explored how the loss of politico-monetary sovereignty in the Gold Coast (modern Ghana) was occasioned by the coming of colonialism. The author explains that the West African Currency Board managed the production and designed of a common currency for the British possessions in West Africa, namely, the Gambia, Sierra Leone, The Gold

[128] Ibid, p. 87.
[129] V.A.O. Adetula, "Money and Politics in Nigeria: An Overview", in V.A.O. Adetula (ed.), *Money and Politics in Nigeria,* Abuja, Petra Digital Press, 2008, pp. xxvii-xxxiv
[130] *Ibid*, pp. xxviii-xxix.
[131] H. Fuller, "From Cowries to Coins: Money and Colonialism in the Gold Coast and British West Africa in the Early 20th Century" in C. Eagleton et.al (eds.), *Money in Africa,* London, British Museum, 2009, pp. 54-61. It also available online at www.britishmuseum.org/shop

Coast, Northern and Southern Nigeria. He further argued that while economic considerations were central to the establishment of the West African Currency Board, it also had political ramifications for the local populations. It deprived Africans of the ability to develop and control an indigenous monetary system that would give their leaders greater political autonomy from the colonial administration.[132]

Lawal[133] has also written a chapter in the above edited work that is of great relevance and importance to this work. The chapter has, among other things, analyses some socio-cultural problems that arose among the various rural ethnic groups in the remotest parts of British colonies in West Africa during and after the First World War. It also examines the problems of inadequate distribution of coins and notes to some inaccessible communities in Sierra Leone, Nigeria and Cameroon. Other issues discussed in the chapter that are of great concern to this research work include, the perception and misperception of the new coins and notes, the new banking system, the changing socio-economic value and attitudes, the problem of currency devaluation across the borderlands between the French and British colonies, the unresolved exchange rates and harmonization of import and export duties.[134]

According to him, the monetization of indigenous economy created new values, tastes and status symbols mostly in towns at first and later in the rural areas. Towns were developed as commercial centres where African traders had regular contacts with European merchants for business. Thus, dissatisfaction with patriarchal control and restrictions in the villages compelled young men and women to move into towns to enjoy their new freedoms and to seek employment with the colonial and mercantile establishments. But limited opportunities in this direction caused unprecedented

[132] Ibid, p. 54-56.
[133] A.A. Lawal, "The Currency Revolutions in British West Africa: An Analysis of Some Early Problems", in C. Eagleton et.al (eds.), Money in Africa…, *op.cit*, pp. 62-67.
[134] *Ibid*, p. 62.

migrations from town to town even across the colonial frontiers in search of greener pastures.[135]

Lawal added that within the first ten years of the currency revolution in West Africa, the British colonial officials gleefully celebrated an historic success of their experiment. The popularity of nickel penny, half penny and tenth penny in the Gold Coast and Nigeria was commended. However, the local people rejected the imperial bronze coin because of its dullness (darkness). They preferred a bright coin. To them, the farthings were not bright when minted. They had to rub them in fine sand until they became bright and were fond of showing the bankers to ask why they could not be issued in the acceptable condition. It was in 1916 that the West African Currency Board began to issue notes in three denominations of 20 shillings (20s), 10 shillings (10s) and 2 shillings (2s) to Nigeria, the Gold Coast and Sierra Leone, where they were popular among the educated elite, school teachers, European commercial class and colonial civil servants. The majority of illiterate farmers, labourers, traders and artisans preferred coins which they could handle well for local purchases. Apart from their inability to decipher the symbols on the notes in various denominations, notes were easily lost, damaged or destroyed in their poor living conditions. On the other hand, coins could not be destroyed by insects or rain. In addition, the fishermen and fishmongers in the above mentioned riverine areas lost a great deal of currency notes during the rainy seasons that resulted in the notes being torn to shreds. Having learnt their lessons they henceforth preferred coins.[136]

Madugu's article[137] is also informative to this work. He stated that the colonial government introduced its own monetisation policy, which withdrew local currencies and imposed the colonial currency in all transactions by making it the only legal tender.

[135] *Ibid,* pp. 62-63.
[136] *Ibid,* p. 63.
[137] Y.U. Madugu, "The Expansion of the Production and Export of Groundnuts: A Case Study of Kano 1903-1930", *FAIS Journal of the Humanities,* Vol. 5, No. 2, July 2011, pp. 21-34.

Ultimately, the colonial government (through the Native Administration) made it compulsory for all taxes to be paid in the new currency, which was controlled by West African Currency Board, established in 1912. In this way, he added, the European merchant capitalists, through their African intermediaries purchased large volumes of groundnut for export.[138]

Yandaki's chapter[139] has also contained some information that is of great contribution to this work. According to the author, an essential pre-requisite for the expansion and development of commodity production is the availability of a rational and uniform currency system to service the increasing exchange relations in the economy. He added that prior to colonisation exchange relations over much of Africa were conducted, initially through a barter system but later through a series of "transitional currencies" such as cowries and manillas. However, this arrangement became increasingly ineffective and cumbersome with increase in exchange relations generated by commoditisation.[140] Consequently, the colonial state banned the use of cowries and manillas and in their place various currencies of the colonial regimes served as replacements. The new arrangement not only smoothed things up for large European trading firms but also gave a further impetus to commodity production, which became the only source of the new currency for the majority of the population located outside colonial wage labour relations.[141]

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[138] *Ibid,* p. 24.

[139] A.I. Yandaki, "Critical Reflections on the Material Basis and Ideology of the Colonial State in Africa" in J. Mangut & T. Wuam (eds.), *Colonialism and Transition to Modernity in Africa,* Ibadan, Sam-Andex Printers Sanyo, 2012, pp. 1-16.

[140] Commoditisation was a policy consciously orchestrated by the colonial state to force the colonies largely peasant production to come to terms with the need of colonial capitalism. As a process, it involved, besides expansion and intensification of cash crops production, also transferring the logic of the colonies' production process from direct subsistence production to a whole scale production for the market. See *Ibid,* p. 5.

[141] A.I. Yandaki, "Critical Reflections on the Material Basis and Ideology of the Colonial State in Africa…", *op.cit,* p. 6.

Another chapter in the same book that provides useful information to this work is written by Lawal.[142] The author explains that prior to the British conquest of Bida Emirate, cowry shells, were the main currency of the Emirate. It was the currency used by the European merchants in trade. However, with the conquest, coin money was introduced. The coin money introduced was meant to enhance production, commerce, ensure payment of taxes and effective control of the aristocracy and the economy. The local cowry currency was thus condemned as cumbersome and a hindrance to the large scale commerce of the British dreams and expectations. The introduction of new currency and the gradual enforcement as he further explains, was meant to cut off Bida Emirate leadership from the source of currency. This therefore gave the colonial government power over the source, circulation and control of the new currency.[143]

Another valuable source of information to this work is the article of Aghalino.[144] He critically examines the major currencies in pre-colonial Nigeria against the background of their utility and their weaknesses. According to him when the British infiltrated into Nigerian region, there was a deliberate attempt to demonetise pre-colonial currencies in order to facilitate their exploitation of the people. Thus, tendentious attempts were made to control the monetary system through the massive importation of British currencies on the assumption that local currencies did not exist in Nigeria.[145] This article has, to a very large extent debunked the erroneous views of the Europeans about the pre-colonial currency situation in Nigeria.

[142] S.M. Lawal, "Colonialism and the Transformation of Bida Emirate Finances", J. Mangut & T. Wuam (eds.), Colonialism and Transition to Modernity in Africa...", *op.cit*, pp. 627-635.
[143] *Ibid,* pp. 632-633.
[144] S.O. Aghalino, "Trade Currencies in Pre-Colonial Nigeria…" *op.cit,* pp. 85-92.
[145] *Ibid,* p. 85.

Kware's PhD work[146] also contains some relevant and useful information to this work. The author explains that at independence, Nigeria inherited the British pound sterling as its legal tender and means of exchange. This was used up to 1973 when Naira and Kobo became the national currency for the purpose of giving the nation its own identity. Since then, one hundred kobo have been equivalent to One Naira. The denominations of the currency have been in coins and in notes. He added that the value of the country's currency lied in what the currency could buy in the domestic economy and also in terms of its exchange rate alongside foreign currencies. The Nigerian currency, he further stated, has been facing domestic inflation since the 1960s and that is why the currency was later not able to compete with other currencies domestically and internationally.[147]

What is clear from the foregoing discussions is that a lot of works have been written on various aspects of currency and money in particular and various aspects of economic and social history in general, during the pre-colonial, colonial and post-colonial periods concerning different parts of the World, Africa and Nigeria especially south-east and south-west Nigeria. However, with the exception of the work of Shea on colonial currency regime, no additional research work has so far been done on the history of modern currency in northern Nigeria, less that of the area of former Sokoto Province. In actual fact, as far as the former Sokoto Province of Nigeria is concerned, there is no single work written on the history of modern currency. It is this academic vacuum that this study tried to fill.

[146] A.A. Kware, "Poverty in Sokoto State: An Historical Study, 1976-2009", *Ph.D (History)* Thesis, Usmanu Danfodiyo University, Sokoto, 2012.
[147] *Ibid*, p. 92.

CHAPTER TWO

THE COLONIAL STATE AND ITS ECONOMIC POLICIES IN THE FORMER SOKOTO PROVINCE OF NIGERIA, 1903-1912

2.1 Introduction

This chapter examines the colonial economic policies in the former Sokoto Province vis-à-vis imposition of the British currency in Nigeria between 1903 and 1912. The chapter first, defines what is meant by colonial state and subsequently discusses the conquest of the study area by the British as well as pre-colonial exchange relations, in the study area.

2.2 The Colonial State

Colonial state was basically a conquest state; its institutionalization was through a number of stages. The stages include: stage of exploration, followed by that of treaty making, then followed by the phase of occupation or pacification, and finally the colonial rule proper.[1] The colonial state possessed the following features:

(i) It was an instrument of oppression of the entire society. This is against what obtains in the capitalist society.

(ii) In the colonial state, the state became highly interventionist as opposed to what obtains in the capitalist state.

(iii) The colonial state must also depend more and more on coercion than ideology. In colonial state, security agents such as police and army teach the citizen "lessons".

[1] A.I. Yandaki, *The State in Africa: A Critical Study in Historiography and Political Philosophy*, Zaria, Gaskiya Corporation Limited, pp. 120-121.

(iv) The relationship between colonial state and foreign interest was very direct. That is why some scholars believe that colonies existed for the interest of mother countries.[2]

2.3 Pre-Colonial Exchange Relations in some parts of the Nigerian Area

Prior to the British conquest of northern Nigeria which came to an end following the defeat of Sokoto forces on 15th March 1903, Sokoto Caliphate, to which the former Sokoto Province belonged, had an organised economy. There was an agricultural system which produced not only foodstuffs but also raw materials and supplies for industries and international trade. There was system of markets, taxation, credit, as well as local and long distance trade.[3] There were also many kind of currencies used in the Nigerian area in pre-colonial times. Some of them had very limited areas in which they were used while others were used over vast areas. For instance, Lovejoy has shown that by 1570's gold was a standard medium of exchange in Hausaland.[4] Many were locally sourced and had uses other than money (such as cloth or iron).[5] Others were sourced from far places such as cowry shells obtained from Maldives Island in the Indian Ocean and silver dollars from various European and American countries. Regardless of their shortcomings, they all satisfied to a minimal extent the basic functions of money: a medium of exchange, a store of value, a means of payment and a unit of account.[6]

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[2] For more on this see, B. Swai, "Notes on the Colonial State with reference to Malabar in the 18th and 19th Centuries", *Social Scientist*, 7, 1978.

[3] K.S. Chafe, *State and Economy in The Sokoto Caliphate: Policies and Practices in the Metropolitan Districts, 1804-1903,* Zaria, Ahmadu Bello University, 1999, p. 153.

[4] P.E. Lovejoy, "The Role of the Wangara in the Economic Transformation of the Central Sudan in the 15th and 1th Centuries", *Journal of African History*, Vol. Xix, No. 2, 1978, p. 181.

[5] Cloths for instance, were primarily used as dressing; while iron was in addition to being used as money also manufactured by blacksmiths to produce house hold utensils, implements and weapons.

[6] These are classified by Economists to be the main functions of money. See N.G. Mankiw, *Principles of Economics*, Orlando, The Dryden Publishers, 1977, pp. 592-593 See also P.J. Shea, "Making Money in Northern Nigeria: The Colonial Currency Regime, 1899-1963", in A.M. Yakubu et.al *Northern Nigeria: A Century of Transformation, 1903-2003,* Kaduna, Baraka Press and Publishers, 2005, pp. 272-273.

Though it cannot be established with certainty when the first currency was introduced and used in different parts of Nigeria, what is certain is that, the domestic and long distance trades and markets in pre-colonial period used various forms of currencies that have been termed as either "native", "traditional" or "trade" currenceies etc.[7] Variety of currencies such as cowries, manilla, copper and iron bars, glass, beads, cloth and gin were used in different parts of Nigeria. During the heyday of the Sokoto Caliphate in the 19th century the major currencies used were the cowries, silver, gold, Maria Theresa dollars, slaves, strips of *sawaye* cloth, kolanuts and millet. The expansion of commerce in the Caliphate led to a corresponding wider application of the currencies. However, the propensity for credit facilities among circuit traders made foreign currencies and other media of exchange like the dollar, silver and gold the preserve of the wealthier merchants, and were often used in exchanges involving large sums.[8]

The introduction of the cowry into the Nigerian area was a manifestation of the intensity of economic bi-lateral relations between Nigeria and the Outside World.[9] According to Chukwu, the cowry came into Nigeria through two agencies. The first was through the Arab merchants, who traversed the Red sea and the Indian Ocean, partly as bulk of articles for trade. The Arab merchants eventually found their way overland from Zanzibar through the Upper Congo River and soon across Lake Chad and Upper Niger where they used cowries down these rivers and their tributaries. This currency, as he further argued, was introduced into Kano at the beginning of the 18th century during the

[7] See G.I. Jones, "Native and Trade Currencies in Southern Nigeria During the Eighteenth and Nineteenth Centuries". In Z.A. Konzacki & J.M. Konzacki (eds.), *An Economic History of Tropical Africa: The Pre-Colonial Period*, London, Frank Cass and Co. Ltd, 1977; W.I. Ofonagoro, "From Traditional to British Currency in Southern Nigeria: Analysis of Currency Revolution, 1880-1948", *The Journal of Economic History*, Vol. 39, No. 3, September 1979 and S.O. Aghalino, "Trade Currencies in Pre-Colonial Nigeria", in O.N. Njoku (ed.), *Pre-Colonial Economic History of Nigeria*, 2002, NP.

[8] K.S. Chafe, State and Economy in The Sokoto Caliphate..., *op.cit.* See also, A.S. Babajo, *Trade Diplomacy, Banking and Finance in the Trans-Saharan Trade: An Interpretation of Ahmad Abu al-Ghaith's Ledger, a Trade Consul in Katsina, 1824-1870*, Kaduna, Pyla-mak Publishers, 2012.

[9] See S.O. Aghalino, "Trade Currencies in Pre-colonial Nigeria..., *op.cit*, p. 86.

reign of Muhammadu Sharafi (1703-1731) and its commercial relevance continued to be felt in many parts of the Nigerian area up to the nineteenth century.[10]

The second agency through which the cowries penetrated into Nigerian area was the sea, especially the Atlantic Ocean. The agent-general of the Royal Company of Africa and Islands of the America, Barbot, wrote in the 17th century that cowries were made available to the Dutch and English factories in India. From India, they were sent to Europe, more especially through the agency of the Dutch who, in turn, supplied them to the coasts of Guinea (West Africa). In each case, India was mentioned as a centre of dispersal of the cowry.[11]

2.4 Cowries as a Medium of Exchange in the former Sokoto Province Area

Of all the types of currencies used during pre-colonial times in the Nigeria area, cowries had the greatest acceptability and widest spread in the former Sokoto Province. Cowry shells reached West Africa by over-land routes across the Sahara. The earliest currency area of the cowries in the region (West Africa) was on the upper and middle Niger during the medieval period. These currencies were believed to have reached Hausaland during the first half of the 18th century. They were known to be the currency of Katsina in 1790.[12] According to Johnson[13] the cowry shells of West African commerce have been almost exclusively the shells of *Cypraea moneta* and *Cypraea annulus*, both Indian Ocean species. The former from the Maldives Island and the latter from the East African Coast and islands, especially Zanzibar and its neighbouring islands. It was the common currency of everyday life not only in the former Sokoto Province but also in the

[10] D.O. Chukwu, "Trends and Changes in the Nigerian Currency System, colonial period- 2008", *Studies of Tribes and Tribals*, Vol. 8, No. 2, 2010, p. 90.
[11] *Ibid.*
[12] M. Johnson, "The Cowrie Currencies of West Africa", *Journal of African History*, Vol. XI, No. 1, 1970, pp. 32-33.
[13] *Ibid*, pp. 17-18.

whole of northern Nigeria, the Benue and the Niger Basins, as well as the whole area west of the Niger.[14]

Some of the European travellers, who visited some parts of the study area during the pre-colonial period, have attested to use of cowries as medium of exchange. Notables among them were Captain Hugh Clapperton and Henrith Barth. For instance, while on a journey from Bussa to Kano, Clapperton reported about a market in Nupeland which was largely attended by the people of Cubbi (Kebbi), Youri (Yauri), Soccatoo (Sokoto) and Zanfara (Zamfara); where they were sure of getting a ready sale of their goods for cowries.[15] In another instance, he made mentioned of vicinity called 'Rajawada' in Yauri domain where the head man of that town collected for his superior Chief of Yauri, 500 cowries for every loaded bullock and 300 cowries for every loaded ass.[16] He also narrated, while on a journey from Kano to Sokoto, an incidence of his crossing a river which runs close to foot of a hill on which Sokoto stands, where he met crowd of people fishing on banks of the river. The fish they caught were small white ones as he described them, which they carried out to market fried in butter and sold at two cowries a piece.[17] Finally, while resident in Sokoto, Clapperton reported selling of slaves to the merchants of Kano, Kashna (Katsina) and Tripoli (Libya) as follows: a young male slave from thirteen to twenty years of age, was sold from 10,000 to 20,000 cowries; a female slave if handsome, from 40,000 to 50,000 cowries; the common price was about 30,000 cowries for a virgin about fourteen or fifteen years. He also gave the price of a camel he bought in Kano but which he sold in

[14] P. Einzig, *Primitive Money in its Ethnological, Historical and Economic Aspects*, London, Eyre and Spottiswoode, 1949, p. 316. In actual fact of the matter, cowry shells were ancient money used not just in former Sokoto Province of Nigeria, northern Nigeria, Nigerian area or even in Africa, but it was used as money throughout the world. Their usage as money in many parts of the world predated the use of coins or in some instances they were used in the same economy as metal coins. For detail, see See J.F. Chown, *A History of Money From A D 800,* London, Routledge, 1994, pp. 30-31.

[15] H. Clapperton, *Journal of a Second Expedition into the Interior of Africa from the Bight of Benin to Soccatoo*, London, Frank Cass & Co. Ltd, 1996, p. 136.

[16] *Ibid*, p. 147.

[17] *Ibid*, p. 193.

Sokoto at 60,000 cowries, the price of a bullock at 12,000 cowries and the pay of men who accompanied his servant Richard Lander, from Kano at 4,000 cowries each.[18]

Barth, who travelled more widely in the study area that later came to be known as Sokoto Province, also shared his experience of the usage of cowries as a medium of exchange. Describing Badarawa market and exchange relations therein, in the present day Shinkafi local government area of Zamfara state, he stated that:

> In the midst of this dense body of trees there was a very considerable market attended by 10,000 people and well supplied with cotton, which seemed to be staple commodity, while Indian millet (sorghum) also was in abundance. A great number of cattle were slaughtered in the market, and the meat retail in small quantities. There was also a good supply of fresh butter (which is rarely seen in Negroland), formed in large lumps, cleanly prepared, and swimming in water: They were sold for 500 kurdi each. Neither was there any scarcity of onions, a vegetable which is extensively cultivated in the province of Zanfara, the smaller ones being sold for one uri, the larger ones for two kurdi each.[19]

In the above report by Barth the words 'uri' (*wuri*), which is a Hausa term for cowry and 'kurdi' were used by the explorer to refer to cowry and cowries respectively, and according to Hiskett, *kudi*/*kurdi* as used by Barth is a plural Hausa word for the *wuri*.[20]

While in Sokoto, Barth also reported an incidence when Galadima of Sokoto arrived at his tent and presented the sum of 100,000 'kurdi' from the Sultan of Sokoto in order for him to settle the expenses of his (Barth) household during absence of the Galadima and the Sultan in Sokoto town, for an expedition. Barth added that he had every reason to be grateful with this kind gesture by the Sultan, based on his difficult experience of converting his Spanish dollars into 'kurdi' at Wurno, even though the sum did not

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[18] *Ibid*, p. 232.

[19]H. Barth, *Travels and Discoveries in North and Central Africa*, being a Journal of an Expedition Undertaken under the auspices of H.B.M's Government in the years 1849-1855, Vol. III, London, Frank Cass & Co. Ltd, 1965, p. 100.

[20]M. Hiskett, "Materials Relating to the Cowry Currency of the Western Sudan- II: Reflections on the Provenance and Diffusion of the Cowry in the Sahara and Sudan", *Bulletin of the School of Oriental and African Studies*, University of London, Vol. XXIX, Part 2, 1966, pp. 352-353. Also, in an interview with Malam Ilyasu Abubakar Gidan Kaya (seller of old currencies) at Kofar Gabas (Sokoto Central Market), 81 years, on Saturday 28th September, 2013. See also, G.B. Bargery, *A Hausa-English Dictionary and English-Hausa Vocabulary*, London, Oxford University Press, 1934, p. 1094.

exceed forty Spanish dollars.[21] This means that every Spanish dollar was changed for 2,500 cowries during the stay of Barth in Sokoto in the second half of the 19th century, because 100,000 divided by 40 is 2,500. He further explained that sheep were transported from Wurno to Sokoto for a very small profit, being bought in Wurno for 1,200 cowries or when on credit for 1,400 cowries and sold in Sokoto for 1,500 cowries.[22]

Barth also depicted Sokoto market as "tolerably well attended and well supplied, there being about thirty horses, three hundred of cattle for slaughtering, fifty oxen of burden and a great quantity of leather articles", like leather bags, cushions and leather dress. Large quantity of Sokoto iron, which he described as "of excellent quality" was also displayed in the market for sale. Similarly, dates formed addition to the principal merchandise in the market especially from desert merchants and in order to give a little more variety to his food, Birth himself filled a leather bag with the dates for 2000 cowries.[23] Just like in the case of Clapperton who narrated sale of a camel he bought from Kano in Sokoto in the 1820s, at the rate of 60,000 cowries; Barth also reported similar event of selling his best camel in Sokoto, which he bought from the governor (Emir) of Katsina, at the same amount of 60,000 cowries in the 1850s. He described the incidence as 'misfortune' as it obliged him to purchase another one at a price demanded by his seller, most likely higher than 60,000 cowries, camels being very scarce at that moment in Sokoto.[24]

Similarly, in one of his studies Adamu,[25] confirmed the use of cowries as currency by people of this part of the country during the pre-colonial period. According to him, "…Hausaland was known for its elaborate marketing system which was based on the use

[21]H. Barth, Travels and Discoveries..., *op.cit*, p. 108.
[22]*Ibid*, p. 126.
[23]*Ibid*, p. 132.
[24]*Ibid*.
[25]M. Adamu, "A General History of Sokoto Caliphate", in A.M. Kani and K.A. Gandi, (eds.), *State and Society in Sokoto Caliphate*, Gaskiya Corporation: Zazzau, 1990, p. 12.

of cowry shells as currency."[26] Even Hogendorn, who examined the role of slaves as money in the Sokoto Caliphate confessed that cowries had largely served as medium of exchange especially in carrying out low-value transactions, which was the predominant daily market activity in the Caliphate. According to him, "The cowrie currency of the Caliphate was admirably suited to the low-value transactions that made up most of the day-to-day market activity of that area."[27] The use of cowries in the former Sokoto province as medium of exchange during the pre-colonial period was therefore, widespread among communities of the region. (See appendix II for samples of cowry currency).

Other areas where cowries featured prominently as a currency in the Nigerian area during the pre-colonial period were Yorubaland, Benin Nupeland and some parts of the Eastern Region. By extension, the cowry currency must have circulated wider than other local currencies of its period. In areas such as Bida, Lokoja, Ilorin, and Igalaland for instance, the cowry facilitated commercial transactions in the closing years of the 19th century and the opening years of the 20th century.[28] By 1902, its exchange rate was said to be 4,000 for the British shilling at Ilorin; 2,500 at Lokoja; 3,000 at Bida; 1,500 in Igboland and 1,200 at Sokoto.[29]

Commenting on the advantages of cowries, Hopkins has this to say:

> The success and longevity of the cowries as a form of currency is readily explicable. Its size and shape made it easy to handle, convenient to count and impossible to counterfeit while its durability meant that it could be stored safely for years.[30]

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[26]*Ibid*.
[27]J. Hogendorn, "Slaves as Money in the Sokoto Caliphate", in E. Stiansen and J.I. Guyer, (eds.), *Credit, Currency and Culture: African Financial Institution in Historical Perspective*, Sweden, Nordiska Africa Institute, 1999, p. 63.
[28]For more on the use of cowries as currency in Igalaland, see M.S. Abdulkadir, *An Economic History of Igalaland Central Nigeria: 1896-1939*, Zaria, Ahmadu Bello University Press Limited, 2014, p. 49.
[29]D.O. Chukwu, "Trends and Changes in the Nigerian Currency System..., *op. cit*, p. 90.
[30]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 1966, p. 472.

It is however, important to note that the pre-colonial currencies generally had some notable deficiencies as means of exchange. The physical character of some of them made them very inconvenient to handle. For instance, Clapperton had to purchase an additional camel to move his 212,000 cowries, which value according to him was just about 500 pounds, from Kano to Sokoto.[31] Similarly cloths money were very unmanageable as they had limited areas of operation, hence they could not be convertible into international currencies. Their inadequacies became very serious by the 19th century so much so that they began to decline rapidly, not only because of their inherent weaknesses but also because of other developments. It was then cheaper, because of technical advances and availability of new sources of supply, to produce and deliver European currencies. At the same time European currencies particularly the British and French currencies, were coming increasingly into use. The result was a serious depreciation of the pre-colonial currencies' value and inevitably confidence in them was lost. This greatly accelerated the decline of not only cowries in former Sokoto Province, but the entire pre-colonial African currencies.[32]

2.5 Conquest of the Study Area

The conquest of the study area and indeed the entire northern Nigeria and Nigeria at large by the British, has already been greatly given the attention it deserved by earlier researchers.[33] Only brief remarks are therefore needed here. The history of the British

[31] H. Clapperton, Journal of a Second Expedition..., *op.cit*, p. 258.
[32] C. Ake, *A Political Economy of Africa,* New York, Longman, 1981, p. 33.
[33] They include for instance, A. Burns, *History of Nigeria,* London, George Allen & Unwin, 1929; M. Perham, *Lugard: The Years of Authority 1898-1945,* London, Oxford University Press, 1960; J.E. Flint, *Sir George Goldie and the Making of Nigeria,* London, 1960; D.J. Muffet, *Concerning Brave Captains,* London, 1964; A.O. Anjorin, "The British Occupation and Development of Northern Nigeria, PhD (History) *Thesis*, 1966"; M. Adamu, "A Hausa Government in Decline: Yawuri in the 19th Century", M.A. (History) *Dissertation,* Ahmadu Bello University, Zaria, 1968, R.A. Adeleye, *Power and Diplomacy in Northern Nigeria 1804-1906: The Sokoto Caliphate and its Enemies,* London, Longman, 1970; M.M. Tukur, "The Imposition of British Colonial Domination on the Sokoto Caliphate, Borno and Neighbouring States: 1897-1914: A Reinterpretation of the Colonial Sources", PhD (History) Thesis, Ahmadu Bello University, Zaria,

conquest of Sokoto Emirate (comprising of the present day Sokoto and Zamfara States), Gwandu and Argungu Emirates at the beginning of the 20th century can be traced to as far back as 1885, the year in which Joseph Thompson secured commercial treaties from the Caliph of Sokoto and Emir of Gwandu on behalf of the National African Company (N.A.C.), later the Royal Niger Company (R.N.C). It was largely on the basis of those treaties and several others allegedly secured from the Caliph of Sokoto and the Emir of Gwandu by agents of the Royal Niger Company during the late 1880s and early 1890s; that Britain came to lay claim to Sokoto, Gwandu and Argungu, against the interest of both France and Germany during the European partition of Africa. Although Kebbi Kingdom did not enter into any treaty with the Royal Niger Company or any agent of the British Government, nonetheless, it was placed within British sphere of influence together with Sokoto and Gwandu under the terms of Anglo-French Agreement of 1890.[34]

In the case of Yauri Emirate, the imposition of British colonial rule can be traced back to the year 1896 when a detachment of the British Royal Niger Constabulary troops stationed at Jebba, arrived in Yelwa and established a British post. Shortly afterwards, Sir William Wallace (then Mr. William Wallace) of the British Royal Niger Constabulary troops, also arrived on his way to Sokoto and left two officers and a detachment of soldiers at Yelwa.[35] This was done, in the words of Adamu, in order "to forestall French colonization of the Yauri side of the River Niger"[36]. When the British Government took

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1979; O. Ikime, *The Fall of Nigeria,* London, Heinemann Educational Books, 1977; P.K. Tibenderana, *Sokoto Province Under British Rule, 1903-1939,* Zaria, Ahmadu Bello University Press, 1988, A.R. Augi & S.U. Lawal (eds.), *Studies in the History of the People of Zuru Emirate*, Enugu, Fourth Dimension Publishing Co. Ltd, 1990; S. Adamu, *Brief History of Yawuri,* Kaduna, Master Prints Inc, 2000 and H.A. Makuku, "Urbanization in Zuru 1919-1991", M.A. (History) *Dissertation,* Usmanu Danfodiyo University, Sokoto, 2005.

[34] P.K. Tibenderanna, Sokoto Province…, *op.cit,* p. 46.

[35] P.G. Harris, Sokoto Provincial Gazetteer, London, 1939, p. 287. See also, E.C. Duff, *Gazetteer Notes, Kontagora Province*, London, Waterlow and Sons Ltd., 1920 pp. 17-19.

[36] M. Adamu, "A Hausa Government..." *op.cit,* p. 307. See also, S.J. Hogben and A.H.M Kirk-Green, *The Emirates of Northern Nigeria: A Preliminary Survey of their Historical Tradition,* London, Oxford University Press, 1966, p. 258.

over the conquest of northern Nigeria from the Royal Niger Company in 1900, it carried out the subsequent annexations of the region and then, eventually declared it as British protectorate. By 1903, the British Government had already taken over the administration of Yauri following the appointment of a political officer Mr. Fergus Dwyer, in Yelwa to represent the government of the Protectorate of Northern Nigeria.[37]

In Zuruland, the British expansion into the area dated back to the late 19th century and by 1901, Kontagora had already fallen into their hands. According to Bashir,[38] "the fall of Kontagora largely means the fall of towns and villages around, like Zuruland. With this development", he added, "the province of Kontagora was immediately created".[39] The province was made up of four Divisions; they were Borgu, which was a combination of the 3rd class Emirates of Bussa and Kaiama; Kontagora, consisting of the 1st class Emirate of Kontagora; Yelwa consisting of the 2nd class Emirate of Yauri and Dabai (Zuru) consisting of the confederation chieftainship of Dabai under which had been brought together the Dakarkari clans (such as *Lelna*, Fakkawa, Gelawa, Dukkawa etc) and Hausa people of Sakaba, Wasagu and Bena.[40] The confederate state was later in 1919 divided into five districts namely; Sakaba, Dabai, Danko, Fakai and Wasagu in the then newly created Zuru Emirate.[41] Thus, the British conquest of what we now know as Zuru Emirate was consequent upon the conquest of Kontagora, which was initially placed under the rule of their traditional enemy, Abdullahi Abarshi, formerly Sarkin Yauri but at that time, Sarkin Sudan of Kontagora.[42]

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[37]. *Ibid*, pp. 290-291. See also, S. Adamu, *A Brief History of Yauri (*A Monograph*)*, Kaduna, Master Prints, 2000, p. 15.
[38] I.L. Bashir, "Socio-Economic Transformation in Colonial Zuruland, 1901-1950: A Preliminary Investigation", in A.R. Augi & S.U. Lawal (eds.), Studies in the History of the People of Zuru…, *op.cit,* p. 149.
[39]*Ibid*.
[40] E.C. Duff, *Gazetteer Notes, Kontagora Province,* London, Water Low and Sons Ltd, 1920, p. 4.
[41] H.A. Makuku, "Urbanization in Zuru…", *op.cit,* p. 48.
[42] I.L. Bashir, "Socio-Economic Transformation in Colonial Zuruland…", *op.cit.*

Notwithstanding the active resistance from Sokoto, by the end of March, 1903 the whole northern Nigeria was brought under effective British occupation either by signing of treaties such as in the case of Gwandu, Argungu, Yauri and Zuru Emirates, or by means of conquest like in the case of Sokoto Emirate. It is clear from the forgoing therefore, that between 1900 and 1903, Lugard embarked on a systematic conquest of the emirates of northern Nigeria which was concluded with the conquest of Sokoto on March 15, 1903. The capitulation of Sokoto Caliphate led Lugard to create 13 provinces in 1903. The provinces counted 16 in 1904.[43]

[43] They were: Adamawa, Bassa, Bauchi, Benue, Borgu, Bornu, Ilorin, Kabba, Kano, Katagum, Kontagora, Muri, Nasarawa, Nupe, Sokoto and Zaria. See Z.O. Apata, Lugard and the Creation of Provincial Administration in Northern Nigeria 1900-1918", *African Study Monographs*, Vol. 11, No. 3, December 1990, p. 147.

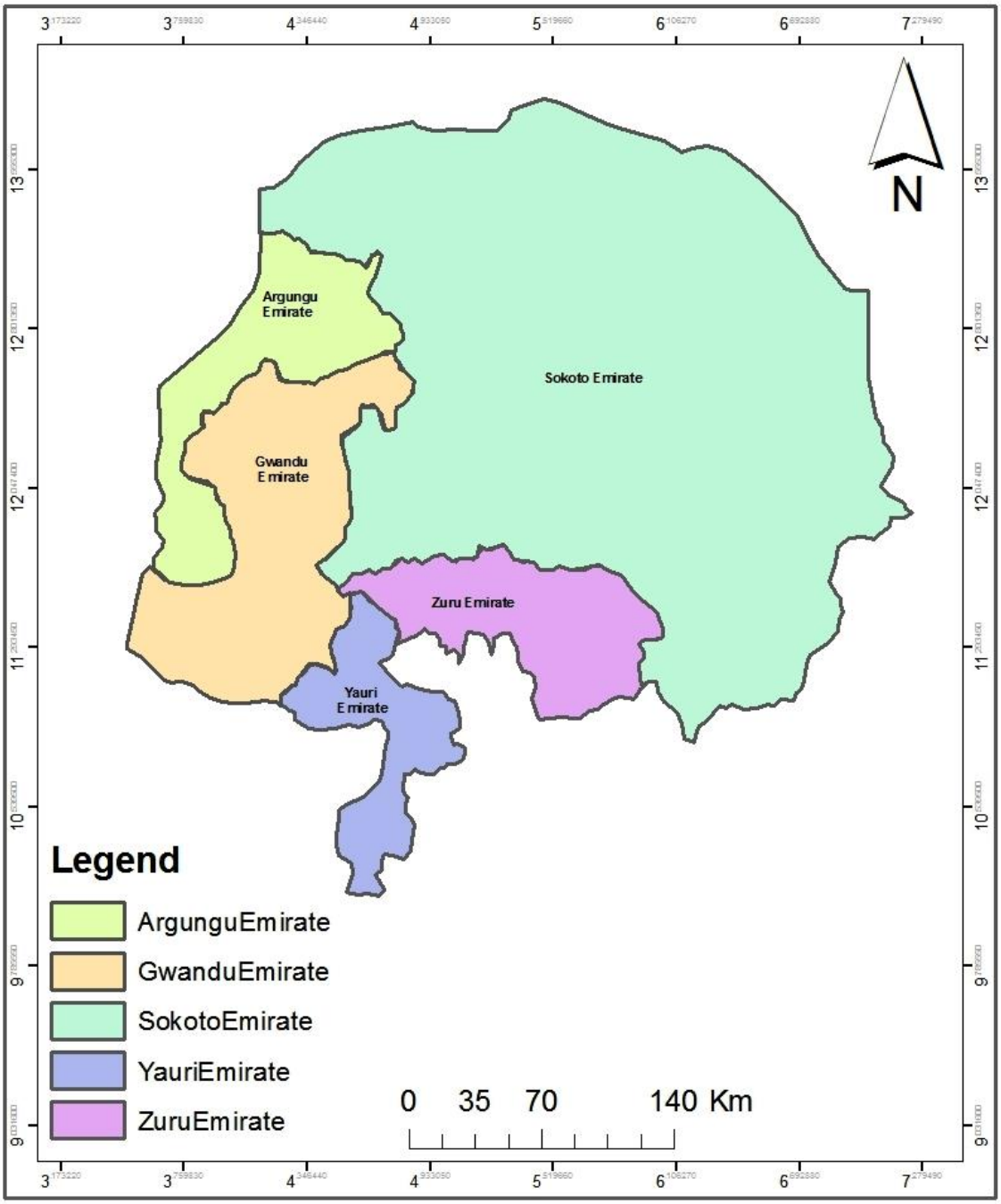


Fig 1: Map of Former Sokoto Province showing Argungu, Gwandu, Sokoto, Yauri and Zuru Emirates

Source: GIS Laboratory, Department of Geography, UDUS, Redrawn by Budah, G.A.

2.6 Colonial Economic Policies in the former Sokoto Province

Colonialism can be defined as a control or domination of political, economic, social and cultural aspects of one society or nation by another. The paramount objective is usually economic exploitation of the colonised society. Colonialism therefore, manifests in colonies which were guided by colonial policy of the colonising nation. Thus, colonialism implies formal political control involving territorial annexation and loss of sovereignty on the part of the colonised.[44] On the whole, the colonial economic policies in Nigeria discouraged indigenous industrialization, when at the same time it promoted cash crop and mineral production to feed the British factories. The colonial territory in Nigeria therefore, served not only as a ready made source of cheap raw materials to feed the growing industries in Britain and other European nations, but also as trading post for the British and other European merchants and traders.[45]

Colonial policies that dealt with such issues as agriculture, taxation, currency, trade, mining, customs, transportation, forestry and land were introduced in the study area in particular, and in northern Nigeria and Nigeria in general by the British.[46] Under agriculture for example, the orientation of colonial economy was directed towards production of export crops particularly, cotton and groundnut in Sokoto Province in particular and northern Nigeria in general. Agricultural policies that included new policies on land tenure and taxation, monetization of agricultural economy and establishment of farm centres were pursued vigorously to ensure maximum production of export crops in

[44]F.D. Lugard, *The Dual Mandate in British Tropical Africa*, London, Frank Cass & Co. Ltd, Fifth Edition, 1965, pp. 9-11.
[45]A. Olusegun, and A.K. David, "The Implications of British Colonial Economic Policies on Nigeria's Development", *International Journal of Advanced Research in Management and Social Sciences,* Vol. 1 No. 2, August 2012, p. 1.
[46]Very good source materials on these aspects of colonial policies are, E.A. Speed (ed.), *Laws of the Protectorate of Northern Nigeria*, London, Stevens and Sons Ltd, 1910, F.D. Lugard, The Dual Mandate..., *op.cit* and F.D. Lugard, *Political Memoranda*, London, Frank Cass & Co. Ltd, 1970.

the province as well as the Protectorate of northern Nigeria and Nigeria as a whole.[47] For instance, as early as 1902, the British Cotton Growers Association (B.C.G.A) was formed purposely to encourage cotton growing in British West Africa. Subsequently, the B.C.G.A. opened its first cotton ginnery in Sokoto Province at Gusau as well as two cotton-buying stations, one at Talata Mafara and the other at Kaura Namoda.[48] Another crop which received the attention of the British in the study area was groundnuts. It was, prior to the inception of British rule, grown for local consumption in the province. However, with the establishment of British rule, groundnuts became one of the principal export crops not only in Sokoto Province but also in the rest of northern Nigeria. The new demand for groundnuts came up between 1906 and 1914 as a result of Germany's discovery of making use of it to produce margarine.[49] This development had a profound effect effect on northern Nigeria. For instance, it was the groundnuts production and its trade that transformed Gusau from being a relatively small town during the 19th century to a commercial centre, second in importance only to Kano in the whole of northern Nigeria.[50] Other groundnuts producing centres in the province included the eastern districts of Sokoto Emirate- Isah, Raba, Gandi, Goronyo, Sabon Birni, Tozai and Badarawa, Jega in Gwandu

[47]The British policies on agriculture in Nigeria were series of plans introduced to influence agricultural production beyond the efforts made by individual farmers. See B.A. Gusau, "The Colonial State and Agrarian Transformation in Nigeria", *Seminar Paper*, Department of History, UDU, Sokoto, 22nd February, 1989; *R.* Gambo, "Monetisation of Agriculture and its Impact on Peasant Farmers in Northern Katsina: 1908-1949", *Taguwa: The Journal of Humanities*, a Publication of the Faculty of Humanities, Umaru Musa Yar'Adua University, Katsina, Vol. 3, No. 1, 2012, p. 148 and J.C. Iwuchukwu & E.M. Igbokwe, "Lessons from Agricultural Policies and Programmes in Nigeria", *Journal of Law, Policy and Globalization*, Vol. 5, p. 12.

[48]P.K. Tibenderana, Sokoto Province..., *op.cit*, pp. 240-241.

[49] J.S. Hogendorn, *Nigeria Groundnut Exports: Origin and Early Development*, Zaria, Ahmadu Bello University Press, 1978, pp. 38-39.

[50]P.K. Tibenderana, Sokoto Province..., *op.cit*, p. 243.

Emirate as well as Birnin Yauri, Shanga, Kwanji and Gungu Districts in Yauri Emirate and Danko, Sakaba and Wasagu Districts in Zuru Emirate.[51]

It was also in view of introducing colonial taxation in northern Nigeria that the 'Land Revenue Proclamation of 1903' which took effect in June 1904, came into being to replace the existing pre-colonial taxes of *jizya* (poll tax), *ushr* (toll tax) and tributes. They were abolished and substituted with new set of taxes that encouraged agricultural production like the *kudin kasa* (land tax), *haraji* (general tax) levied on land produce, and *jangali* (cattle tax).[52] In Sokoto Province taxes were thus, collected by the British under three main headings namely; *haraji*, j*angali* and *kudin sarauta*.[53] The *haraji* was levied on land produce and non-Fulani livestock. Its assessment was based on the capacity of the agricultural population as well as the extent and value of the land under cultivation and the number of livestock it could support. Every adult male whether slave or free was assessed at 6d (six pence) as opposed to Lugard's proposed incidence of 3s (three shillings) per adult male and 2s (two shillings) per female, which were turned down by the Resident of Sokoto, Major Burdon on the ground that the people of Sokoto Province had no sufficient fund to meet such high taxes.[54] In the case of j*angali*, it was levied on Fulani livestock only, a levy of 5% was imposed on all Fulani cattle owners. After the assessment each village head or head of *ruga* (Fulani cattle encampment) collected the assessed levies within his area of jurisdiction, and afterwards took the amount collected to the district head who in turn took all the revenue collected to the emir.[55] The *kudin sarauta*, which was the

[51]*Ibid*; WJHCB/YD/AGR/13/1908 Yauri Groundnuts Production and I.L. Bashir, "Socio-Economic Transformation in Colonial Zuru land 1901-1950: A Preliminary Investigation", in A.R. Augi & S.U. Lawal (eds.), Studies in the History of the People of Zuru Emirate..., *op.cit*, p. 160.
[52] F.D. Lugard, Political Memoranda..., *op.cit*, p. 165.
[53]AHAK, PJS1/5/48, Memorandum on Taxation of Natives in Northern Nigeria, by F.D. Lugard, pp. 7-8 & p. 23. See also, P.K. Tibenderana, Sokoto Province..., *op.cit*, p. 75.
[54] NAK/SOKPROF/2/2/190/1905, Sokoto Provincial Report for November-December, 1905 by Major Burdon.
[55]P.K. Tibenderana, Sokoto Province..., *op.cit*, p. 76.

last category of tax collected by the British in the former Sokoto Province, was paid by the newly appointed chiefs.[56]

However, there was also the 'Native Revenue Proclamation of 1906' which replaced the Land Revenue Proclamation of 1903.[57] The Native Revenue Proclamation extended the taxation to cover personal earnings such as profits or gains from trade, manufacture, office and any other employment in which members of a community were engaged; in addition to taxation on land produce- crop yields and domestic animals demanded by the Land Revenue Proclamation.[58] Native treasuries were thus, subsequently established in all the Emirates in northern Nigeria including the Sokoto, Gwandu, Argungu, Yauri and Zuru Emirates.[59]

Another essential feature of British colonial economy was provision of colonial infrastructure i.e. facilities provided by the colonial administration in the colonies to serve social and economic purposes. They included roads, railway, harbours, colonial administrative buildings, schools, hospitals etc. 'The Roads Proclamation Act of 1903' for instance, allowed for clearing of several roads in Sokoto Province. By 1905 the roads cleared in the province included Sokoto-Sabon Birni to the French post at Maradi, Sokoto-Gwadabawa-Illela to the French post at Konni, Sokoto-Tambuwal-Jega-Bunza to Ka'oje road, Sokoto-Argungu-Birnin Kebbi to Illo, Jega-Gwandu-Argungu road, Jega-Birnin Kebbi-Ambursa road and Bungudu-Anka-Gummi road. Similarly, Jega-Koko-Yelwa and Jega-Zuru roads were constructed; the later being constructed to enable colonial officers

[56] *Ibid*, p. 75.
[57] F.D. Lugard, Political Memoranda..., *op.cit*, p. 165. See also, F.D. Lugard, The Dual Mandate..., *op.cit*, p. 238, S. Abubakar, "The Northern Provinces Under Colonial Rule: 1900-1959", in O. Ikime (ed.), *Groundwork of Nigerian History*, Ibadan, Heinemann Educational Books, 1980, p. 456 and M.M. Tukur, "The Imposition of British Colonial Domination on the Sokoto Caliphate, Borno and Neighbouring States:1897-1914: A Reinterpretation of the Colonial Sources", PhD (History) *Thesis*, Zaria, A.B.U, 1979, p. 47.
[58] E.A. Speed (ed.), Laws of the Protectorate..., *op.cit*, pp. 443-445.
[59] NAK/SNP/10/11P/1913, Beit-al-Mal, Revenue and Expenditure. See also, O. Ikime, "The British and Native Administration Finance in 'Northern Nigeria' 1900-1920", N.D. p. 5.

inspecting Dabai (Zuru) and Yelwa (Yauri) Divisions make use of motor transport during rainy seasons.[60] But it should be noted that the colonial infrastructure were provided primarily to ease evacuation of raw materials from production centres to the coast, as well as, for shipment of European goods from the coastal areas to the interior of Africa. The establishment of schools and health centres on the other hand, were to ensure training of manpower needed by the colonial state and healthy population respectively, so that the colonial subjects could serve the British interest adequately.[61]

Having linked up some parts of the raw materials potential areas initially with feeder roads and then later with railways in the colonial territories by the colonial government, the greatest challenge to the expansion of commerce was lack of a uniform accepted and portable currency. The only currency that had gained universal acceptance in the whole West Africa up to that time was the cowries, which valued at 4,000 to the shilling in 1900, was quite impossible as a basis for large scale commercial transactions since the cost of portage of cowries was quite prohibitive.[62] The installation of colonial government therefore, necessitated the introduction of a commonly accepted currency as well as a banking system.[63]

Monetization of the economy was equally carried out by the colonial authorities. It was a colonial policy which banned the use of pre-colonial currencies such as cowries and manillas, and in their place various currencies of the colonial regimes were introduced.[64] The new arrangement according to Ake, did not only smooth things up for large European

[60]NAK/SOKPROF/233/1906/Public works report. See also, M.M. Tukur, "The Imposition of British Colonial Domination...",*op.cit,* p. 616.
[61]M.M. Tukur, "The Imposition of British Colonial Domination...",*Ibid*, p. 910.
[62]F.D. Lugard, The Dual Mandate..., *op.cit*, p. 491. See also, M.B. Duffill and P.E. Lovejoy, "Merchants, Porters and Teamsters in the 19th Century Central Sudan", *Postgraduate* Seminar Paper, Department of History, Bayero University, Kano, 20th March, 1984, p. 15.
[63]M. Crowder, *West Africa Under Colonial Rule*, London, Hutchinson & Co. (Publishers) Ltd, 1968, pp. 278-279.
[64] F.D. Lugard, The Dual Mandate..., *op.cit*, p. 491.

trading firms but also gave a further impetus to commodity production, which became the only source of the new currency for the majority of the population located outside colonial wage labour relations.[65]

The monetization of the economy was carried out in the colonial state through a number of means, one of which was imposition of colonial taxation. The colonial taxes were mandated to be paid in British currency; this was with a view to compelling the colonial subjects to accept the newly introduced British currency.[66] It was hoped that the introduction of the colonial taxation would stimulate export production since most of the people would be forced to produce a surplus for paying taxes.[67]The colonial government introduced portable forms of coins and later paper currencies which replaced the pre-colonial currencies like iron bars, cowries, and manilla. As early as 1886, British silver was introduced and by 1916 paper notes were also issued. The introduction of new currency was aimed at facilitating commercial transactions as well as forceful participation of colonial subjects in the colonial economy.[68]

It is therefore correct to argue that the colonial economic policies introduced by the British into the whole of colonial Nigeria, were geared toward production of export crops and other raw materials which were needed by their industries. There was no attempt on the part of the colonial administration to improve food production for the betterment of indigenous population. Efforts of the colonial authorities and their agents were thus, concentrated on the production of such commodities as cotton, groundnuts, hides and skins

[65] C. Ake, A Political Economy of Africa..., *op.cit*, p. 34.
[66]F.D. Lugard, The Dual Mandate..., *op.cit*, pp. 230-232. For more on this, see I.M. Jumare, "Colonial Taxation in the Capital Emirate of Northern Nigeria", *African Economic History*, No. 26, 1998, pp. 83-97.
[67] P.K. Tibenderana, Sokoto Province..., *op.cit*, p, 74.
[68]E.A. Speed (ed.), Laws of the Protectorate of Northern Nigeria..., *op.cit*, pp. 251-253. See also, M.M. Tukur, "The Imposition of British Colonial Domination on the Sokoto Caliphate, Borno and Neighbouring States..." *op.cit*, p. 50.

all of which were highly demanded by industries in Britain.[69] It should be noted at this point that the success of the new economic policies imposed by the British on citizens of its colonies relied largely on usage and acceptance of the British currency, since all the exchange relations and other economic transactions could not have been possible without sound and widely accepted medium of exchange. That was why from the onset, Lugard, while outlining British colonial policy in his second speech at Sokoto on March 21 1903, made it categorically clear that "the coinage of the British will be accepted as legal tender, and rate of exchange for cowries fixed, in consultation with chiefs and they will enforce it."[70] In order to ensure effective compliance of the use of its currency in its colonies, Britain enforced payments of all forms of taxes, colonial labour, court fees and fines by the colonial subjects as well as export production and import trade, be made in the British currency. It is this aspect of the colonial economy that this study is concern with and it would be dealt with in detail in the next section and subsequent chapters of the work.

2.7 Early forms of British Currency in Sokoto Province

The introduction of European currency generally during the late 19th century and intensification of the use of British currency during the colonial period were seen as one of the most important revolution in the West African economy.[71] This was largely due to portability of the new currency, which has the effect of boosting commercial transactions. The demonetization of transitional African currencies by the British and other Europeans served as means of penetration into the economy of the continent, which was eventually transformed from non-cash economy to the cash economy, thereby linking it with their metropolitan economy. As goods and services were paid in British currency during the

[69] P.K. Tibenderanna, Sokoto Province…, *op.cit,* p. 240.
[70] *Ibid,* p. 264.
[71] See A. Mcphee, *The Economic Revolution in British West Africa*, London, Frank Cass & Co. Ltd., 1971, pp. 232-248.

colonial rule, colonial subjects had to offer their labour in the production of cash crops-commodities that the British needed most, or sell their labour to British firms in order to obtain the currency. When the British currency became widely circulated in its colonies, banks and banking institutions were introduced.[72]

The first set of British currencies in British West Africa (comprising the Gold Coast, Sierra Leone, The Gambia and Nigeria) was in the denominations of 2s (two shillings), 1s (one shilling) and 6d (six pence).[73] In the Nigerian area, the first major issue of currency was made in 1886, when the British colonial agents officially introduced the nickel bronze coins as substitute for the commodity currencies. This followed the Colonial Ordinance of 1880 which made them legal tender, and which authorised the Bank of England to issue and manage them for the West Africa sub-region. The nickel bronze coins were in the values of 3d (three pence, called *taro* in Hausa), $1^{1/2}$d (one and half penny, called *ahu* in Hausa), and 1/2d (half-penny called *dari* in Hausa).[74] The half-penny (*dari*) according to Chukwu, was conveniently used for small commercial transactions among the low income earners, especially in the rural communities.[75] (See appendix III for sample of the early forms of British currency in the Nigerian area).

By the 1890s, commercial transactions had begun to grow so exponentially in Nigeria that the use of cash became obvious. This development therefore, needed to be

[72]D.K. Fieldhouse, "Economic Exploitation of Africa: Some British and French Comparison", in P. Gifford & W.R. Louis, (eds.), *France and Britain in Africa,* London, Yale University Press, 1971, p. 606.

[73] It was the shilling that the people of Sokoto Province and other people in northern Nigeria especially the Hausa people referred to as *sulai*. Oral interview with Malam Abdullahi Bawa, Head of Banking, Central Bank of Nigeria, Sokoto Branch, at his office on Wednesday, 17th July, 2013. This information was also confirmed by my informants in the study area. Similarly, all the shilling currencies in the denominations of one, two, five, ten and twenty had their equivalent amount written in Arabic *Ajami* at their back. For instance, "*sulai daya*" was written at the back of one shilling, "*sulai biyu*" at the back of two shillings, "*sulai biyar*" at the back of five shillings, "*sulai goma*" at the back of ten shillings and "*sulai ashirin*" at the back of twenty shillings.

[74] D.O. Chukwu, "Trends and Changes in the Nigerian Currency System...", *op.cit,* p. 91. Malam Ilyasu Abubakar Gidan Kaya (seller of old currencies)..., *op.cit,* gave the Hausa terms. See also, *Kamusun Hausa,* na Jami'ar Bayero, Kano, Cibiyar Nazarin Harsunan Nijeria, 2006, pp. 6, 121 and 429-50.

[75]D.O. Chukwu, "Trends and Changes in the Nigerian Currency System...", *Ibid,* p. 91.

sustained by new monetary and banking system. Consequently, the British currency was declared legal tender in Nigeria.[76] Sequel to the establishment of colonial rule in British West Africa the British soon put in place an economic and political system for the smooth functioning of its newly acquired territories. The colonial government had, in an attempt to make British coins more prominent, gone on to de-monetize certain coins that were in circulation. The new regulation thus, recognized only British gold and silver coins and a few foreign gold coins as legal tender.[77]

As noted earlier, during the policy statements in March 1903 following the capture of Sokoto by the British, Lugard made it categorically clear that: "... the coinage of the British shall be the legal tender....".[78] Thus, consequent upon this statement, the colonial currency became the sole legal tender for all the British acquired territories. A number of measures had earlier been taken to control the use of pre-colonial currencies. For instance, in 1902 a government proclamation fixed prices in sterling for manillas and Maria Theresa dollars, and prohibited their further importation.[79] Additionally, in 1903, the British introduced bronze coins and placed embargo on further importation and circulation of cowries, manila and copper-wire currencies.[80] By 1904 the introduction of the use of British coins had recorded progress in northern Nigeria and the institution of direct taxation continued to extend it rapidly.[81] The importation of coins into northern Nigeria from the British Royal Mint for the year 1904 was in contrast with that of the previous years. This information is presented in the table below.

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[76] By legal tender it means money which a state and its people accept as the means of payment and discharge of debts. All notes and coins issued by the government and the central bank of a country are compulsory legal tender in that country. See M.L. Jhingan, *Monetary Economics,* Delhi, Vrinda Publications, 2001, p. 7; N.G. Mankiw, Principles of Economics..., *op.cit*, p. 592.
[77] U.U. Chibuike, "Banks and the West African Currency Board", in C. Eagleton et.al (eds.), *Money in Africa,* London, British Museum, 2009, p. 49. It also available online at www.britishmuseum.org/shop
[78] M. Perham, *Lugard: The Years of Authority 1898-1945*, London, 1960, p. 129.
[79] R.O. Ekundare, *An Economic History of Nigeria 1860-1960,* London, Mathuen and Co. Ltd, 1973, p. 187.
[80] NAK/476, Annual Colonial Reports for Northern Nigeria- 1904, p. 102.
[81] *Ibid.*

Table 2.1: Coins Importation into Northern Nigeria from Royal Mint for the Period 1901-1904

Type of currency	1901 £	1902 £	1903 £	1904 £
Gold	3,000	-	1,000	1,000
Silver	90,000	145,000	184,000	198,000
Bronze	350	-	-	300
Total	93,350	145,000	185,000	199,300

Source: NAK/476, "Annual Colonial Reports for Northern Nigeria- 1904", p. 102.

It is clear from the above table that the total importation of coin currency into northern Nigeria from the royal mint for the year 1904 was higher than that of the other three preceding years. It was higher by 7.7% than that of 1903, 37.4% than that of 1902 and 113.5% than that of 1901.[82] This means that by 1904, there had been relatively remarkable increase in the quantity of currency imported into northern Nigeria by the British. In his report for the year 1905, Major Burdon, the Resident of Sokoto Province, also while providing detailed account of a dying industry at Jega in Gwandu Emirate and its trade links with outside world, acknowledged the use of newly introduced British currency in the town and in other markets in the province particularly export crops producing areas.[83]

Further introduction of the British currency was made in 1908 when 1d (one penny- called *kwabo* in Hausa) and 1/10d (one-tenth of a penny- called *anini* in Hausa), were introduced (see appendix III). The 1d was made of a nickel while the 1/10d was initially made of aluminium but later it was changed to an alloy of nickel. Both the new coinage

[82]The percentage was obtained by calculating difference between the importation of 1904 and each of the preceding years, multiplied each by 100 and then divided by the total importation of every year.
[83]NAK/SOKPROF/7/81/1905/, Sokoto Province Annual Report for the year 1905

denominations of 1d and 1/10d were well received in northern Nigeria, and then eventually contributed significantly in rapid displacement of cowries from the region.[84]

Many factors have been advanced as reasons behind the introduction of British currency in Nigeria which ranged from political to economic. On the political front, it was argued that the British currency was introduced to provide a stable and portable means of payment to staff and British political agents engaged in the process of colonial conquest and administration of Nigeria. These agents included troops and police officers engaged in the pacification of various sections of the country. Others were the colonial civil servants.[85] Another political reason was to demonstrate the real change of gurds from Nigerians to the British. In addition to political reasons, the British currency was also introduced in Nigeria to meet the challenges posed by an expansion in the economic activities between Nigeria and Britain in the second half of the 19th century and the opening years of the 20th century.[86] At this point, it should be noted that the introduction of the British currency in different parts of the Nigerian area was not without any problem.

2.8 Problems Associated with Introduction of the British Currency in Nigeria

Initially, many people resisted the new currencies and according to Chukwu, this was not unconnected with "either primordial social reasons or economic factors, or both."[87] Lawal, stated that the British currency was initially rejected in northern Nigeria, which was a predominantly Muslim community on ground that they were introduced by the antagonists of Islamic faith (the *kuffār* or unbelievers).[88] However, in some other parts

[84]NAK/594/311/117, Annual Colonial Reports for Northern Nigeria, 1907-1908, p. 14. The Hausa names were given by Malam Ilyasu Abubakar Gidan Kaya (seller of old currencies)..., *op.cit.* See also, *Kamusun Hausa*, pp. 17 and 259.
[85] D.O. Chukwu, "Trends and Changes in the Nigerian Currency System…", *op.cit*, pp. 90-91.
[86]*Ibid*.
[87]*Ibid*, p. 91.
[88]A.A. Lawal, "The Currency Revolution in British West Africa: An Analysis of Some Early Problems", in C. Eagleton et.al, *Money in Africa*, London, British Museum, 2009 p. 63.

of the country, especially, in the South where the local currencies had, for years dominated economic relations among the local people, it was felt that the British currency would impede the process of trading hence its objection by the people.[89] In the case of former Sokoto Province, oral data collected reveal that the British currencies were initially resisted on the ground that people in the region had been for long used to cowries as a medium of exchange and means of payments and that any attempt to instantly change the existing scenario must definitely be faced with extreme resentments.[90] In addition, the British coins were initially resisted in the former Sokoto Province, which of course was a Muslim dominated area, because the currency was introduced by those who majority of people in the region perceived as antagonists of Islam.[91]

The British also faced problems of circulating the new currencies. But through the payment of carriers and labourers on the railway lines, introduction of direct taxation, court fees and fines which were compelled to be paid only in the new currency, the newly introduced British currency were eventually accepted by the colonial subjects. The payment of labourers for example, promoted the phenomenon of wage labour in all the colonial territories and inevitably also promoted use and acceptance of the British currency.[92] Other means through which the British currencies received acceptability among the colonial subjects included, promotion of export production and import trade, development of banks, and then by proclamations, ordinances and decrees declaring

[89]D.O. Chukwu, "Trends and Changes in the Nigerian Currency System…", *op.cit.*

[90] My informants in this regard include, Malam Ilyasu Abubakar Gidan Kaya..., *op.cit*; Malam Ahmadu Koko, 85 years, interviewed at Masallacin Gidan Wali, on Sunday 29th June, 2014; Malam Abubakar Gama, 87 years, interviewed at his residence in Augie, on Wednesday 1st October, 2014 and Alhaji Umaru Sarkin Kanwan Sakrin Musulmi, 65 years, on Saturday 22nd August, 2015.

[91]Malam Ilyasu Abubakar Gidan Kaya..., Malam Ahmadu Koko... and Alhaji Umaru Sarkin Kanwan Sakrin Musulmi..., *op.cit*.

[92]For more on the British labour polices in Sokoto Province, see A. Basharu, "Aspects of Colonial Labour in Sokoto Province, 1903-1960", M.A. (History) *Dissertation*, UDUS, 1988.

indigenous currencies not as a legal tender.[93] Kirk-Green explains that, in addition to aforementioned measures, the British went ahead to arrest and prosecute those among the native people alleged to have rejected the currency introduced by the colonial government officials.[94] Thus, through these measures, all the pre-colonial currencies were gradually annihilated in order to pave way for the development of modern monetary system. By July 1916, sufficient progress had been recorded as far as introduction of British currency was concerned in the whole Nigeria.[95]

What these developments entail is the gradual spread and consolidation of the capitalist system as well as the entrenchment of its values. The values were the production of raw materials needed by European industries, squeezing profits out of the natives through lop-sided trade dominated by foreigners and additional reaping of funds through native taxation. The colonialists thus, reaping where they did not sow.[96]

2.9 Conclusion

This chapter established that before the introduction of the British currencies into the Nigerian area, barter trade and traditional African currencies constituted the major medium of exchange and means of payment in which cowries and manila enjoyed widespread predominance. The cowries or their localized names *wuri*, were the most dominant medium of exchange for many people in Sokoto Province. However, between 1896 and 1912 the British Government had, through the BBWA made several attempts to replace the existing currencies of the Sokoto Province in particular and that of Nigeria in general, with the British currency. As time went on, those pre-colonial currencies were

[93]A.E. Afigbo, "The Establishment of Colonial Rule, 1900-1918" in J.F.A. Ade Ajayi & M. Crowder (eds.), *History of West Africa,* Vol. II, London, Longman, 1974, p. 470.
[94]A.H.M. Kirk-Green, "Major Currencies in Nigerian History", *Journal of the Historical Society of Nigeria,* Vol. 2. No. 1, December 1960, p. 144.
[95]A.E. Afigbo, "The Establishment of Colonial Rule…", *op.cit.*
[96] Walter Rodney has captured the process in his classic- *How Europe Underdeveloped Africa*. See p. 96.

replaced first, by the silver coinage of the BBWA and later, by the WACB currencies, issued after 1912 when the Board was established. The WACB was responsible for issuing currency notes and coins in Nigeria from 1912 to 1959.

CHAPTER THREE

LOCAL ECONOMY AND BRITISH CURRENCY IN THE FORMER SOKOTO PROVINCE, 1912-1945

3.1 Introduction

The last chapter examined the colonial state and its economic policies albeit briefly, in the former Sokoto Province. This chapter examines local economy, exchange relations and British currency in the province from 1912 to 1945. This is done in order to highlight some of the major changes brought about by the British during the period under review. It was in 1912 that the WACB was established by the British, essentially to look after the affairs of the supply of British currency not only in Nigeria but in all the four British colonies in West Africa, namely: Gambia, Ghana, Nigeria and Sierra Leone.[1] Thus, it was an important milestone in the history of the use of British currency in the country. By 1945 when the Second World War came to an end, the colonial economic policies including those related to monetary policies in all the British territories in West Africa experienced changes and transformations largely due to changing condition of the time. In essence, this chapter discusses exchange relations and local economy in the former Sokoto Province of Nigeria on one hand, as well as the British currency in the province on the other, from 1912 when the WACB was constituted to the terminal period of the Second World War in 1945.

3.2 Local Economy in the Former Sokoto Province

During the period under review local economy in the former Sokoto Province as in the case of most parts of the country revolved around agriculture, fishing, crafts, trade and

[1] D.C. Rowan, "The Origins of the West African Currency Board", *South African Journal of Economics*, Vol. 22, Issue 4, 1954, p. 423.

transportation. Majority of inhabitants of the region who were mostly rural dwellers practiced farming either as their main occupation or as complementary to any of the other three. While fishing was restricted to only riverine communities in the region, farming and crafts were common economic activities of the people of the Sokoto Province. We shall now briefly look at these pillars of the local economy and changes introduced by the British on them in the former Sokoto Province.

3.2.1 Agriculture

In its simplest form, the term agriculture can be defined as the cultivation or production of crops and the raising of livestock for human use.[2] It is a worldwide ancient economic activity which formed the means of livelihood of many people. It was also a strong factor for the rise of states and empires in Africa just like in the case of every society in the world. According to Ingawa, the first revolution that transformed human economy and gave man control over his own food supply was agriculture. With the development of farming techniques, man began to plant, cultivate and improve his living by selection of edible grasses, roots, livestock and trees.[3]

The farmers in Sokoto Province depended on local implements such as digging stick, hoes, cutlasses and sickles. Both rainy and dry season's crops were produced by many people in the region. Crops produced are divided into two categories; food and cash crops. The food crops include millet, maize, guinea corn, rice, beans, cassava and sweat potatoes. Whatever surplus was produced, was however, exchanged at either local or

[2]K.P. Srivastava, *Academics Dictionary of Agriculture*, New Delhi, 2000, p. 9.
[3]T.B. Ingawa, "Some Aspects of the Pre-Colonial Economy of Hausaland", in *Kano Studies: New Series*, Vol.2 No. 4, 1986, p.61.

regional markets in the region. The cash crops produced include groundnut, cotton, vegetables, onions, sugar cane and Shea butter.[4]

Another aspect of the local economy that was closely related to agriculture in the study area was breeding of livestock. Such livestock as goat, sheep, cattle, etc were and still are means for immediate consumption within the region and for export to as far as *Kurmi*. Livestock raising was a means of both savings and getting additional income for the communities in the region. It was also a sign of wealth and prestige for one to possess some number of livestock.[5]

It has already been noted in chapter two that the British introduced several economic policies in the region ranging from those on agriculture to trade, transportation, taxation, demonetization, mining etc. During the period under review, under agriculture the British policies continued to favour production of export cash crops and other raw materials needed by the British industries. The efforts of the British in the province, therefore, continued to concentrate on the production of such crops as cotton, groundnuts, hides and skins- all of which were highly needed in the British industries. There was little attempt from the side of the British to improve food production for the betterment of colonial subjects in the province. In 1920 for instance, Allen variety of American cotton seeds were freely distributed in five south-east districts of Sokoto Emirate namely- Chafe, Gusau, Bungudu, Kwatarkwashi and Maru where cotton was already being grown for local use, but it was expected that the American seeds would yield more lint than the indigenous

[4]Alhaji Tanimu Suleiman (Sarkin Noman Yauri), 69 years, interviewed at his residence in Yelwa-Yauri on Wednesday 9th October, 2013.

[5]*Ibid. Kurmi* is a Hausa term which literally means a thick forest. It is also used in northern Nigeria to refer to southern part of Nigeria, particularly south-west, which was thickly forested and was dominated by the Yoruba speaking people. Different informants have identified many places in Yorubaland where they used go and sell their livestock. According to some of them they used to go to Jebba, Ilorin, Oyo, Ibadan, Shaki, Ife, Abekuta,Ogbomoso and Eko (Lagos) on feet to sell their livestock. For more on Hausa meaning of the word *Kurmi* see G.P. Bergery, *A Hausa-English Dictionary and English-Hausa Vocabulary*, London, Oxford1University Press, 1934, p. 653.

one. The local variety was reported to have been burnt on the orders of the British administrators in the province and gradually uprooted from the region.[6] Following the commencement of American cotton production in the former Sokoto Province, the B.C.G.A. increased its sales and began opening more buying stations one at Chafe in 1920, and another one was opened at Gusau in 1923. Kontagora cotton buying station was also later opened in 1927 to cater for the cotton produced in Yauri and Zuru Emirates.[7]

Moreover, during the 1930s the British also attempted to introduce some form of mechanized farming in the Sokoto Province. Up to 1932, activities of the Agricultural Department of the Protectorate Government of Nigeria in Sokoto Province were limited to the production of American cotton as well as supervision of irrigation and experimental farm works at Kware, which was associated with Sokoto Rice Mill established in 1928 to encourage production of rice. However, in 1932 attempt was made to introduce some form of mechanized farming. The intention was to introduce the use of cattle-pulled ploughs for both small and large scales cultivation of land. During that year the Agricultural Department started two demonstration farms, one at Mareri village near Gusau, and the other at Arkilla formerly a settlement near Sokoto town but now an enclave in the town, to demonstrate the advantages of mechanized farming.[8] Consequently, in 1933 Sultan Hassan Dan Mu'azu, Waziri Abbas, 11district heads and three other persons embarked on mechanized farming after their servants had been trained at the Arkilla and Mareri experimental farms.[9]

Closely related with agriculture and which attracted attention of the British in Sokoto Province was livestock breeding. This was no doubt due to demand of hides and

[6] NAKSOKPROF/2/18/229/1921, Sokoto Provincial Annual Report 1921 by C.A. Woodhouse.
[7] NAK/SOKPROF/Annual Report on the Northern Provinces of Nigeria for the year 1927.
[8] P.K. Tibenderana, Sokoto Province..., *op.cit*, pp. 245-246.
[9] NAK/SOKPROF/Annual Report on the Northern Provinces of Nigeria for the year 1933.

skins which like cotton and groundnuts, were greatly needed by the British industries. Native Administrations in the province were mandated by the British to send their people to veterinary school Kano for training on the improved method of growing of livestock as well as preservation of their hides and skins. As from 1930, the British also embarked on a programme of vaccinating cattle against rinder-pest and black-quarter diseases as well as vaccination of sheep and goats against anthrax disease in Sokoto Province.[10]

3.2.2 Trading

Exchange of goods and services was another important feature of the local economy in the former Sokoto Province of Nigeria. Peoples in the region engaged in local regional and long distance trading activities.[11] The local trade involved the exchange of goods and services among the people of a town on the one hand, and between the people of a town and its immediate environs on the other. This form of trade goes on everyday among the different communities of the region. In some communities, it is restricted to the morning or evening hours, while, in many other communities the trade takes place throughout the day in the markets. Merchandise was brought into the markets in many ways. The traders could go into farms or craft production centres to buy goods directly from producers. The goods were later taken to the market by the traders. Secondly, middlemen intercept the producers on their ways going to the markets and eventually sell the goods to the traders or directly to consumers. In addition, the producers could take their goods to the market in order to sell directly to the consumers.[12]

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[10]NAKSOKPROF/3/1/1653, Hides and Skins- Instructions Vol. I. See also, A.G. Adebayo, "The Production and Export of Hides and Skins in Colonial Northern Nigeria, 1900-1945", *Journal of African History,* Vol. 33, 1992, p. 281.

[11]I. Anagbogu, "Trade in the Nineteenth Century Sokoto-Zamfara Confluence Area", *M.A. (History)* Dissertation, University of Ibadan, 1980, p. 27.

[12]*Ibid*, pp. 29-31. For more on this kind of trade relations in other parts of West Africa, see, T. Falola, "Trade and Markets in Pre-colonial Economy", in G.O. Ogunremi and E.K. Faluyi (eds.), *An Economic History of West Africa Since 1750,* Ibadan, Rex Charles Publication, 1996, p. 55.

The regional trade on the other hand, involved exchange of goods and services among the people of two or more states which were several kilometres apart. Since geographical differences had far reaching influence over what a particular community can produce or manufacture, exchange of goods and services by the people of different communities became inevitable no matter the distance separating them.[13] In the former Sokoto Province, regional markets such as those at Sokoto, Gusau, Talata Mafara, Shinkafi, Jega, Tambuwal, Argungu, Birnin Kebbi and Yelwa were well attended by many people in the region to meet up their demands.[14]

However, with the imposition of British administration, particularly as from 1913, the region witnessed an influx of various European firms who came for trading purposes. Export trade in hides and skins in the province began immediately after completion of Kano railway in 1912, which facilitated transportation of the commodity by rail to Lagos for onward export to Europe. The first European firm to establish branches at Sokoto were Messrs Ambrosin and London & Trading Company, in 1913.[15] Both the two stores were established to purchase hides and skins in Sokoto- the capital of Sokoto province. By 1916, Tangalakis and Co and Messrs A. Cavaris have also established their branches in Sokoto town, and they were actively engaged in hides and skins trade.[16]

In the field of mining, some European companies involved in the exploration of Gold in the former Sokoto Province included Laka Company and S.P. Macries limited in Yauri Emirate, the Nigerian Development Company (N.D.C) in Zuru Emirate and along Zamfara valley in Bukuyum District of the then Sokoto Emirate. The S.P. Macries was reported to be among the largest producers of gold in northern Nigeria with an output of

[13]M. Olaniyan, *Economic History of West Africa*, Akure, Olaniyan Publishing Company, 1971, p. 47.
[14] Malam Ilyasu Abubakar Gidan Kaya, 85 years, interviewed at Kofar Gabas, Sokoto Central Market, on Saturday 15th March, 2014.
[15] P.K. Tibenderana, Sokoto Province..., *op.cit*, p. 247
[16] NAK/SNP/10/5/413P/1917, Sokoto Provincial Annual Report 1916, E.J. Arnett, 31 December, 1916.

1,443 ounces.[17] While in Yauri Emirate gold mining started as early as 1922 on the Malendo River and in Birnin Yauri by Mr. Clemens, in Zuru Emirate it was not until in 1934 when an application for mining leases over 29.5 acres of land on the river Ka, Danko District, was made.[18] By 1923, Yauri and Minna fields produced about 450 Ounces of the total output for the year.[19]

More European trading firms subsequently opened their branches in some other parts of the province. In 1928, Messrs John Holt & Co and London & Kano Trading Co. opened branches at Jega in Gwandu Emirate to be joined in 1930 by Nigeria Co. Also established in Gwandu Emirate at the same time were Messrs G. Gottshalk & Co. and United African Company (U.A.C), which both established branches at Birnin Kebbi- the capital of Gwandu Emirate. Another town which attracted attention of European firms in Sokoto Province was Gusau. By early 1930s, European firms with branches in Gusau included African Co. John Holt & Co, Tangalakis & Ollivants, Patterson Zochonis (PZ), London & Kano Trading Co. Ambrosin and British American Tobacco Co.[20] The U.A.C also opened its branch in Yelwa, the capital of Yauri Emirate, to purchase surplus groundnut produced in the Emirate in 1945.[21]

3.2.3 Transportation

Transportation is another important aspect of any economy if traders are to move from one place to another. As in the case of most communities in Nigeria, there were two means of transportation in the former Sokoto Province; by water and land. Water transport

[17]S.U Lawal, 'Imperial Policy, Capital Accumulation and Gold Mining in Colonial North-western Nigeria, 1915-1955', PhD (History) *thesis*, UDUS, 1989, p. 262. See footnote 82 in particular.
[18]I.L. Bashir, "Socio-Economic Transformation in Colonial Zuruland, 1901-1950: A Preliminary Investigation", in A.R. Augi & S.U. Lawal (eds.), *Studies in the History of the People of Zuru Emirate*, Enugu, Fourth Dimension Publishing Co. Ltd, 1990, p. 162.
[19]S.U Lawal, 'Imperial Policy..., *op.cit.*
[20] P.K. Tibenderana, Sokoto Province..., *op.cit*, p. 247.
[21]WJHCB/YAU/NA/5070, Yelwa District Assessment Report, 1945

was restricted to places where there were waterways such as rivers and streams. The best method of river transport was by using canoes. The canoe took more loads especially bulky ones. It was a convenient mode of transport, since traders could sit down in the bow with their merchandise.[22] The use of canoe in large numbers for commercial purposes in the region during the pre-colonial period was predominant in the Rivers Sokoto and Rima in Sokoto axis, *Gulbin Kabi* in Argungu and Gwandu Emirates as well as River Niger in Gwandu and Yauri Emirates.[23]

While transport by water was mainly by the use of canoe, land transport was by head portage and pack animals. The traders in the province either carried their goods themselves or employed the services of their family labour. Among the commonly used animals for transportation in the region were the camels and donkeys.[24] Transportation using animals was the most important means of transport employed for the distribution of goods and services in many parts of West Africa especially in the Savannah region. Of all the animals employed for the purpose of transportation in northern Nigeria, the donkey was the most widespread because of its easy breeding, cheap maintenance and endurance or hardiness.[25] Falola added that traders in the Savannah made considerable use of animals like camel which could withstand sun, water shortage, carrying heavy loads and travel long distances. It was thus, relied upon in the desert and semi desert areas to transport both goods and persons. Whereas, the donkey which could travelled easily on rough terrains and survived with little food, took the camel's place in the Sudan.[26]

[22]G.O. Ogunremi, "The Pre-colonial Economy and Transportation in Northern Nigeria", in I.A. Akinjogbin & S.O. Osoba (eds.), *Topics on Nigerian Economic and Social History,* Ile-Ife, University of Ife Press Ltd, 1980, p. 102.
[23]Malam Abubakar Gama, 87 years, interviewed at his residence in Augie, on Wednesday 1st October, 2014.
[24] I. Anagbogu, "Trade in the Nineteenth Century..., *op.cit,* p. 33.
[25]G.O. Ogunremi, "The Pre-colonial Economy...", *op.cit,* pp. 102-103.
[26]T. Falola, "Trade and Markets in Pre-colonial Economy", *op.cit,* p. 56.

It is, however, important to note that large scale production and export did not commence in Sokoto Province until after the introduction of modern means of transportation- roads and railway lines. The extension of railway to Kano in 1912 and then, to Gusau and Kaura Namoda as from 1929, made it possible for large volume of export crops and other raw materials to be transported from the province to Kano and Zaria from where they were railed to Lagos for onwards export to Europe. In addition to the earlier feeder roads cleared in the province before 1912 several others were constructed connecting different parts of the province on one hand, and connecting the province and other sections of the country on the other. For instance, Yelwa-Kontagora and Yelwa-Rijau-Zuru trunk roads had already been completed by 1933. Malendo bridge along Yelwa-Kontagora road in Yauri Emirate was also built in 1935.[27]

As a result of this development, Sokoto Province had during the colonial rule witnessed disappearance of the old-time caravan traders and their leaders as far as long distance trade was concerned. The camels and donkeys were to some extent, gradually substituted by railway and lorries as means of conveyance of goods and persons. Instead of looking northwards across the Sahara desert for its external trade as had largely been the case before the establishment of British rule, Sokoto province like all other parts of northern Nigeria, began to look southwards for its external trade due to easy access to the sea provided by the railway.[28]

3.2.4 Crafts

Blacksmithing, dying, leather work, basket making, mat making, fish trap, shea butter making, cloth weaving, pot making, calabash and salt production were the common occupations amongst communities of the former Sokoto Province of Nigeria. While some

[27] NAK/SOKPROF/Annual Report on the Northern Provinces of Nigeria for the year 1935.
[28] P.K. Tibenderana, Sokoto Province..., *op.cit*, pp. 251-252.

of these crafts were peculiar to few sections of the region, most of them were, however, obtainable in virtually all parts of the province. For instance, salt, shea butter and calabash productions were commonly practiced by the people of Hoga Valley in Argungu Emirate, as well as in some parts of Yauri Emirate and Gummi, in the former Sokoto Emirate.[29] Pot making was equally carried out in such areas where clay soil was available such as in '*Yar Sakke* (in Sokoto town), and in some parts of Gwandu, Yauri and Zuru Emirates. In most areas where pot making was carried out, it was widely practiced by women and production was usually at its peak during wet seasons due largely to availability of clay during the season.[30]

Even though the extension of railway lines to Gusau and Kaura Namoda as well as opening of more trunk roads during the British administration had to a larger extent increased export production in the former Sokoto Province, the local industries continued to dominate local economy of the people of the province. This was largely, as argued by Tibenderana, not unconnected with the fact that except for few people in the export crops producing and mining centres, majority of people in the province were still poor to afford European manufactured goods as substitute for the locally manufactured ones.[31] The craft industries therefore, continued to be relevant in the provision and supply of local implements and merchandise for the larger portion of population in Sokoto province, using newly introduced British currency as medium of exchange and means of payments.

3.2.5 Fishing

This was another important aspect of the local economy in the former Sokoto Province of Nigeria. It was an act of catching or raising fish for the purpose of both

[29] *Ibid*, p. 251. For more on salt production at Hoga, see A.S. Alhaji, "A History of Salt Mining in Hoga Valley in the 19th and 20th Centuries", M.A. (History) *Dissertation*, Usmanu Danfodiyo University, Sokoto, 2003.
[30] Malam Ahmadu Koko..., and Malam Ilyasu Abubakar Gidan Kaya..., *op.cit.*
[31] P.K. Tibenderana, Sokoto Province..., *op.cit*, p. 251.

domestic use and for sale. Unlike farming and livestock breeding which were common amongst all the societies in the province and indeed the entire country, fishing was a restricted economic activity to only riverine communities. Various water bodies where fishing took place were, and still are available in the former Sokoto Province. They included River Niger in Gwandu and Yauri Emirates, Rivers Rima and Sokoto in Sokoto, Argungu and Gwandu Emirates, Rivers Ka, Bunsuru and Gagare in the present Zamfara State and Rivers Bumbum and Girmace in Zuru Emirate. Fish was and still is one of the articles of local transactions amongst the riverine communities of the study area. Fish of various kinds were either dried in the sun or smoked in order to be preserved for long or short distance market. Fresh fish were however, said to be marketed mostly in short distance areas owing to the perishable nature and problem of storage facility.[32]

So far, the only established evidences of British influence on fishing in Sokoto Province are in two ways. The first was in the area of connecting large sources of fish in the province like Argungu, Gwandu and Yauri Emirates with other sections of the country in terms of road network, which has already been discussed above. This enabled large scale fishermen in the province like the case of Gungawa and Sarkawa in Yauri Emirate, to smoke their catch and after collecting large quantities, export same to southern and other parts of Nigeria where the product was highly needed.[33] The second influence has to do with initiation of Argungu Fishing Festival which began in 1934. The festival was introduced during the British administration in the province to mark an end of over century old hostility between the Sokoto Caliphate and the Kabi Kingdom.[34] Even if it was

[32] Malam Ibrahim Maginga Gungun Sarki, 80 years, interviewed in front of his residence in Gungun Sarki, on Saturday, 29th September, 2012 and Malam Abubakar Gama, aged 87 years, interviewed at his residence in Augie, on Wednesday 1st October, 2014.
[33]See Y. Abubakar, "History of the *Baresha* (Gungawa) People to 1968", M.A. (History) *Dissertation*, UDUS, 2011, pp. 51-52.
[34]P.G. Harris, "The Kebbi Fishermen (Sokoto Province), Nigeria", *Journal of the Royal Anthropological Institute*, Vol. 72, p. 29.

initiated by the traditional authorities of Sokoto and Argungu Emirates, the fact that it started during the British administration, is suffice to credit it to the British since such kind of event ought to have been at least approved by the colonial authorities. It has however, over the years metamorphosed into cultural and economic festival which is now being celebrated in Argungu town- the capital of Argungu Emirate.

It is clear from the foregoing that the British had during the period under review re-oriented the local economy in Sokoto Province, which they shifted from an inward looking one that produced for internal (local and regional) consumption to an outward looking one that produced for foreign (Europeans, particularly the British) markets. They did all they could to incorporate local economy of the province into the British capitalist economy.[35] This was successfully achieved as we shall see below, by gradual extinction of all the pre-colonial and other European currencies from the province, and in their place the British currency was eventually imposed.[36]

3.3 Exchange Relations in the former Sokoto Province, 1912-1945

During the period under review, the main system of exchange relations in the former Sokoto Province between the colonial subjects on one hand, and the British traders in particular and European traders in general on the other hand; was based on the use of currencies introduced by the British to serve as medium of exchange. Thus, up to 1912, the 2s, 1s, 6d, 3d, 1½ d, 1d, 1/2d and 1/10d earlier introduced by the British from 1886 to 1908, were the chief medium of exchange and means of payment in the Sokoto Province. However, when the WACB introduced currency notes as from 1916 in the denominations

[35]For more on how the entire northern Nigeria was incorporated into the British capitalist economy, see R.W. Shenton and B. Freund, "The Incorporation of Northern Nigeria into the World Capitalist Economy", *Review of African Political Economy,* Lagos, Afrografika Publishers, 1974, pp. 13-16

[36]P.J. Shea, "Making Money in Northern Nigeria: The Colonial Currency Regime, 1899-1963", in Yakubu, A.M. et.al (eds.), *Northern Nigeria: A Century of Transformation, 1903-2003,* Kaduna, Baraka Press and Publishers, 2005, p. 287. See also, A.H.M. Kirk-Green, "The Major Currencies in Nigerian History" in *Journal of the Historical Society of Nigeria,* vol. 2, 1960 pp. 132-150.

of 2s (two shillings), 10s, (ten shillings), £1 (one pound) and £5 (five pounds), they also served as medium of exchange and means of payments in the region as well as in Nigeria and other British West African territories.[37] For instance, a ferry of a person and his load of not more than five sacks of beans, millet, maize or sorghum to a distance of not more than 50 kilometres on waters of the River Niger in Yauri and Gwandu Emirates, was paid at the rate of $3^{1/2}$ s (three and half shillings, Hausa- *sulai ukku da sisi)* or 4s (four shillings, Hausa- *sulai hudu.)*[38] So also, a big sized and healthy male horse (called *ingarma* in Hausa) was sold in most markets in the region at the rate of 30s (thirty shillings, Hausa- *sulai talatin)* the female one (*godiya*), being sold at twenty shillings (*sulai ashirin*).[39] That was how the use of the British currency continued to be intensified in the former Sokoto Province using different denominations of the pound, shilling and pence up to 1945 and of course up to the end British administration in Nigeria in 1960. Consequently, all exchange relations and payments in the province were carried out in the British currency. The Birnin Yauri District assessment report in Yauri Native Authority, Sokoto Province for the year 1940, for example, indicated that the monetary value of groundnut produced during the year was about £206.6.05 (two hundred and six pounds, six shillings and five pence).[40] Similarly, the price per ton to producers of grains in Sokoto Province by 1943 was given as £9.6.8d (nine pound, six shillings and eight pence).[41]

Other European currencies were however equally accepted in the province concurrently with the British currencies in preference for the pre-colonial currencies during First World War and the Great Depression, when large quantity of the British silver

[37]Y. Abubakar, "History of Modern Currency in Northern Nigeria with reference to Sokoto Province, 1903-1973: A Preliminary Investigation", *Sokoto Journal of History*, Vol. 3, 2014, p. 320.
[38] Malam Ibrahim Maginga Gungun Sarki, 80 years, interviewed in front of his residence in Gungun Sarki, on Saturday, 29th September, 2012 and Malam Ahmad Koko...., *op.cit.*
[39] Malam Ilyasu Abubakar Gidan Kaya..., and Malam Abubakar Gama..., *op.cit.*
[40]Sokprof/YAU/NA/7080 "Birnin Yauri District Assessment", 1940.
[41] NAK/38784/s.48/36/ Control and Requisitioning of Rice in Northern Provinces- Prices of Grain, p. 98.

currencies were repatriated from her colonial territories, to be converted into war needed items like silver badge at home.[42] For example, Spanish dollars and doubloons imported from Spain, Americas and Portugal were widely used as medium of exchange by both Europeans and entire people of colonial Nigeria during the First World War. The French silver coins also became in circulation in West Africa during the same period.[43] Since the use of currency was not strange among the people of the Sokoto Province, as evidently discussed in chapter two, the British currency and other European currencies therefore, continued to be in use for domestic transactions during the First World War and the Great Depression.[44] But the British currency had to gradually displace both the pre-colonial African and other European currencies from its West African territories.

3.4 The West African Currency Board and British Currency in Nigeria

The establishment of West African Currency Board (WACB) followed recommendations of report of Lord Elmot Committee, which had its offices at the Crown Agents in London, (popularly called the West African Currency Committee).[45] The Committee was set up in 1911 by the British Colonial Secretary at the time, Lord Lewis Harcourt to:

> inquire and report as to the desirability of introducing into West Africa a special silver coinage common to the five British West African administrations, and also as to the desirability of establishing a joint issue of currency notes in the same territories, and to advise upon the measures necessary for the regulation of the special coinage if introduced or for the better regulation of the existing currency in the event of a special coinage not being adopted.[46]

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[42]WJHCB/SOK/SNP/k.1395/42, "Currency Difficulties- Coinage General Correspondences, p. 2. and NAK/SOKPROF/Annual Report on the Northern Provinces of Nigeria for the year 1936, p. 46.
[43]See NAK- Annual Colonial Reports for Nigeria for the years 1915, 1916, 1917 and 1918 reference numbers 920, 946, 1008 and 1030 respectively.
[44]*Ibid* and NAK/SOKPROF/Annual Report on the Northern Provinces of Nigeria for the year 1936, p. 46.
[45]U.U. Chibuike, "Banks and The West African Currency Board", in C. Eagleton et.al (eds.), *Money in Africa,* London, British Museum, 2009, pp. 49-50.
[46]D.C. Rowan, "The Origins of the West African Currency Board..., *op.cit,* p. 423.

The Committee had, among other things, recommended in June 1912, a new currency and establishment of a currency Board for West Africa. Consequently, in November, 1912 the WACB was established. It consisted of five members drawn from the Bank of England and the Colonial Office, and presided over by one of the two Crown Agents, appointed by the Secretary of State for Colonies.[47] The Board was charged with the responsibility of:

> providing for and controlling the supply of currency to the British West African Colonies and Protectorates, and to ensure that the currency is maintained in satisfactory condition, and generally to watch over the interests of the dependencies in questions so far as currency is concerned.[48]

The above mandates of the Currency Board paved way for the Board to produce not only coins for the British West African territories but also notes for the region. One can therefore argue that the introduction of currency notes in Nigeria in particular and British West Africa in general, owed its origin to the establishment of the WACB. The Board also took over the responsibility of coin issue which had hitherto been played by the BBWA. In an attempt to carry out its statutory functions the board had in addition to the earlier currencies issued in the British territories in West Africa, introduced the first currency notes of £1 (one pound, Hausa *fam daya*), 10s (ten shillings, Hausa *sulai goma*) and 2s (two shillings, Hausa *sulai biyu*) in November 1915.[49] (See appendix IV for sample of these currency notes) .In July 1916, the new notes went into circulation and they became popularized among the colonial subjects of the former Sokoto Province in particular and the entire Nigerian area in general.[50] The popularization of these currency notes among the

[47]A.G. Hopkins, "The Creation of a Colonial Monetary System: The Origin of the West African Currency Board", *African Historical Studies,* Vol. 3, No. 1, 1970, p. 102.
[48]H. Fuller, "From Cowries to Coins: Money and Colonialism in the Gold Coast and British West Africa in the Early 20th Century", in C. Eagleton et.al (eds.), Money in Africa..., *op.cit,* p. 54. P. 102.
[49]D.O. Chukwu, "Trends and Changes in the Nigerian Currency System, colonial period- 2008", *Stud Tribes Tribals,* Vol. 8, No. 2, 2010, p. 92.
[50]NAK/SNP/10/5/413P/1917, Sokoto Provincial Annual Report for the year 1916, by E.J. Arnett, 31st December, 1916.

populace was partly effected by legislations and partly by the European banks operating in the country at the time. The banks included the BBWA (later the First Bank of Nigeria), and the Colonial Bank (later Barclays and Union Bank). By June 30 1917, there were £79,246 British currency notes in the denominations of £1, 10s, and 2s circulating in the whole Nigeria. The notes were more popular among the Europeans and the educated natives, but the illiterate natives received them with reluctance, although the colonial government did its best to remove native prejudices by printed notices and verbal instructions.[51]

In addition to controlling and supplying of currency, the Board was also to ensure that the currency was maintained in satisfactory condition, watching over the interests of the constituent territories as far as currency was concerned. The Board was also responsible for minting of coins and printing of notes and shipping them from the Royal Mint into West Africa. The design of the West African Coins had a palm tree on the reverse and the image of the British King on the obverse.[52]

Under the currency board system, Nigeria, Ghana, Sierra Leone and the Gambia, had a common currency, the West African pound, which was freely convertible into sterling on demand at a fixed rate of exchange. Throughout its history, the WACB maintained this rate at par with sterling, charging only a small commission on transfers between the two currencies of not more than ¾ of one percent of the total sum converted. Thus, anyone holding West African currency could replace it with sterling any time he liked.[53]

From the foregoing, it is therefore clear that the WACB was established primarily to provide for and to control the supply of currency to the British West African colonies

[51]D.O. Chukwu, "Trends and Changes in the Nigerian Currency System...", *op.cit*.
[52] A.G. Hopkins, "The Creation of a Colonial Monetary System..., *op.cit*, p. 103.
[53]H.W. Ord and I. Livingstone, *An Introduction to West African Economies,* London, Heinemann Educational Books Ltd, 1967, p. 294.

and protectorates. It is also clear that unlike a central bank, the WACB was essentially a money-changing agency responsible for

(i) The physical distribution of currency throughout West Africa

(ii) Placing orders for the manufacture of currency, and

(iii) Investment of sterling reserves in approved securities in London.[54]

Similarly, according to Fuller, currency boards were created during the age of colonialism by European powers in their respective colonies for selfish economic ends, which among other things included the reduction of international and intra-colony transaction costs, and to promote imperial political identities. Again, economic considerations were central to the establishment of the Board in West Africa, it also had political ramifications for the local populations. For instance, it deprived Africans the ability to develop and control an indigenous monetary system that would enhance political autonomy from the colonial administration.[55]

A general review of the currency reforms in Nigeria since the establishment of the WACB in 1912 shows that by 1925, more than £7,000,000 (seven million pounds) worth of currency circulated in the country.[56] However, by 1939 the volume had reduced to just under £6 million (six million pounds). This was as a result of conversion of some merchantships into warships due to commencement of the Second World War, that year.[57] The board had also from its inception rendered great economic services and maintained high standards of integrity. This can be judged from the fact that by the 31st December, 1956, its currency circulation had reached a peak of 125.51 million pounds.[58]

[54] *Ibid* pp. 294-295.
[55]A.G. Hopkins, "The Creation of a Colonial Monetary System..., *op.cit*, p. 130.
[56]H. Fuller, "From Cowries to Coins..." *op.cit*, p. 93.
[57]P.J. Shea, "Making Money in Northern Nigeria..., *op.cit*, p. 288.
[58]*Ibid*.

3.5 Impact of First World War on the British Currency in the former Sokoto Province

The First World War, which lasted from 1914 to 1918 led to a series of quantitative restrictions on trade by the participants of the war. It left the world's economy in shamble; consequently the political and economic landscapes of the entire world were altered. During and after the war Britain which fought the war on the side of the allies and which was the Nigerian colonial overlord found itself in a situation that affected the utilization of its currency as legal tender not only in Nigeria but also in the entire British West African territories. There were shortages of British currency in its colonies during and after the war largely caused by the British tolerance to allow its colonial subjects spend other European currencies.[59]

The bulk of Nigerian trade prior to the First World War was dominated by two European powers, Britain and Germany. The German traders were however totally excluded in 1917 from the country's trade as their country was accused of causing the war, as well as leading the central powers who fought against the allies (Britain and its allies). The vacuum was later filled by France, the United States, Belgium and Switzerland in exploring palm kernels, groundnut, ginger, cotton, and palm oil. But the trade was later hindered by the war especially by attacks on the trans-Atlantic shipments by German U-Boats, causing shortage of the British currency in the British dependencies in West Africa[60]. This development occasioned the use of the 5-franc pieces of France, Belgium, Italy and Switzerland, in addition to the imperial and the West African coinage as legal tenders, the value of each being fixed at 3s:$10^{1/2}$d (three shillings, ten and half pence).[61] The new arrangement caused a lot of confusion among the colonial subjects. Arnett, who

[59]H. Fuller, "From Cowries to Coins...", *op.cit*, p. 56.
[60]NAK/1030-Annual Colonial Report for Nigeria for the year 1918, pp. 2-3.
[61] *Ibid.*

was the Resident of Sokoto Province at the time, complained of confusion among the cotton and groundnut producers in the province caused by allowing other European currency to prevail.[62] Even the British traders, having been stirred by economic nationalism, condemned the economic disadvantages of permitting foreign coins to circulate as legal tender at a fixed rate of exchange which local producers of export crops did not understand. Ironically, the war conditions and the new trade relations with other European countries now permitted the circulation of the European coins in the Sokoto Province and ultimately that further strengthened diplomatic ties between other European nations and traders in the province, at the expense of the economic interests of local or British traders.[63]

The war also caused an immediate and substantial reduction in the entire British West African oversees trade including the former Sokoto Province and in Nigeria as a whole. The reduction was due to the cessation of trade with Germany and uncertain condition of European produce markets, shortage of shipping facilities, restrictions on exports imposed with a view to the cutting off of enemies' supplies, and other indirect effects of the war. There was also a serious depreciation in the market values of produce. The transactions of the WACB were therefore, largely affected as early as the time of outbreak of the First World War in August, 1914.[64]

Mcphee, added that the effects of the war were to cause a redundancy of coin on the coast, on account of the fall in prices of produce, due to the shortage of shipping and the loss of such important markets as that of Germany. The result was that, the WACB was kept busy repatriating silver from West Africa and meeting drafts in London, until it had

[62]NAKSOKPROF/3/1/C.5/CONF.402/1918, Arnett to SNP, 4th March, 1917.
[63]NAK/SNP/8/4/20/1919, Sokoto Provincial Report for half year-ending June, 1918, by E.J. Arnett, Resident, Sokoto Province
[64]Report of the West African Currency Board for the Year Ended 30th June, 1915, p. A1.

overdrawn its account.[65] The repatriation of British silver coins from West Africa was occasioned by the war time high demand of the silver in the United Kingdom for making silver badge, which was used to award all military personnel who had served at home or overseas during the war, and who had been honourably discharged from the army under King's Regulations.[66] It continued for over a year until the Board was in parlous situation, when suddenly in October 1915, the situation changed. During the time there was a high demand for cocoa crop in the Gold Coast (Ghana), and in Nigeria a high demand for groundnut crop causing their prices to go very high. To meet the sudden emergency the WACB sent out £257,000 worth of United Kingdom currency notes and gold.[67] For this reason according to Shea, it was the groundnut boom in northern Nigeria that saved the currency system in Nigeria during the First World War.[68]

In 1919 when the war came to an end, the Board issued another currency note of relatively higher denomination for all the British dependencies in West Africa. The new currency note was in the value of £5 (five pound, Hausa *fam biyar*). It was issued with a view to reducing the effect of the shortage of the British silver currency of the war time in Nigeria. In one of their correspondences with the Secretary Northern Provinces, Kaduna, the colonial authorities in Sokoto Province acknowledged circulation of £5 British currency note in the province.[69] However, the £5 could not survive the economic slump of the late 1920s and early 1930s. In the end, the effects of the First World War inevitably resulted into the Great Depression of the 1930s as neither the United States nor Great

[65]A. Mcphee, *The Economic Revolution in British West Africa*, London, Frank Cass & Co. Ltd., 1971, p. 244.
[66]For more on this see, B. Arthur, *A Military Atlas of the First World War*, Barsleys, Pen & Sword, 2001.
[67]A. Mcphee, The Economic Revolution..., *op.cit*, p. 244.
[68]P.J. Shea, "Making Money in Northern Nigeria..." *op.cit*, pp. 285-286.
[69] See NAK/SOKPROF/3/1/C.1, Resident to SNP 6 May, 1920.

Britain, both of which were on the allies' bloc and who ultimately won the war, had enough resources to single-handedly prevent the worldwide depression after the war.[70]

3.6 Great Depression and British Currency in the former Sokoto Province

By June 1929, America's misjudgements and the general breakdown of the world monetary system, deflation, collapse of stock prices at the New York exchange market, etc triggered the worldwide financial crisis known as the 'Great Depression.' Lasting almost throughout the 1930s, the Depression virtually crippled the world economically.[71] During the depression commodity prices, profits and trade plunged drastically thereby bankrupting and liquidating many capitalist ventures. Reciprocally, this led to massive unemployment and poverty in Europe. In the case of Britain alone about one-tenth of the working population were said to have been rendered jobless.[72]

The depression was indeed further described as a period in which government revenues fell, expenditure was curtailed, capital projects were halted and thrift became the watch word in general. It is important at this point to note that the effects of Great Depression were not only limited to the European powers but also extended to their dependencies in Africa, Asia and Latin America. For instance, the table below shows decrease in Nigeria's gross income from the year preceding the beginning of Great Depression (1928) to the year the depression began (1929).

[70]NAK/1435/Annual Colonial Report for Nigeria for the year 1928. See also, D.O. Chukwu, "Trends and Changes in the Nigerian Currency System...", *op.cit*, p. 93.
[71]See M.S. Abdulkadir, "Structuring, Struggling and Surviving Economic Depression in Northern Nigeria: The 1930s as Preview of the Present", *Professorial Inaugural Lecture*, Bayero University, Kano, Saturday July 31st, 2004, p. 1.
[72]U.A. Daniya, "The British Government and Colonial Economic Policy in Nigeria 1929-1960", *Degel: Journal of the Faculty of Arts and Islamic Studies,* Vol, VI, August 2003, p. 27.

Table 3.1: Decrease in Nigeria's Gross Income from all sources, 1928-1929

Year	Income	Percentage decrease
1928	£74 million	-
1929	£25 million	196%

Source: M.S. Abdulkadir, "Structuring, Struggling and Surviving Economic Depression in Northern Nigeria: The 1930s As Preview of the Present", *Professorial Inaugural Lecture,* Bayero University, Kano, Saturday July 31st, 2004, p.1.

It is clear from the above table that the Nigeria's gross income from all sources in 1928 was 196% higher than that of 1929, dropping from £74 million to £25 million. Similarly, the table below shows decline in Nigeria's gross expenditure during the Great depression from 1932-1933.

Table 3.2: Decline in Nigeria's Gross Income, 1932-1933

Year	Expenditure	Percentage decline
1932	£6.9 million	-
1933	£5 million	38%

Source: M.S. Abdulkadir, "Structuring, Struggling and Surviving Economic Depression in Northern Nigeria: The 1930s As Preview of the Present", *Professorial Inaugural Lecture,* Bayero University, Kano, Saturday July 31st, 2004, p.1.

The above table also shows that Nigeria's central government gross expenditure had declined from 1932 to 1933 by 38%, from £6.9 million to £5 million during the Great Depression. Also, between 1929 and 1939 (the depression period), Nigeria received only £249,333.33 under the Colonial Development Act for her population of 22 million inhabitants. According to Abdulkadir, this was just 0.011d per person.[73]

Helleiner, also observed that:

[73] M.S. Abdulkadir, "Structuring, Struggling and Surviving Economic Depression...", *op.cit,* p. 1.

> the depression effects on Nigeria were such that between 1929 and 1931, the value of her exports plummeted from £17.8 million to £8.8 million, the purchasing power of exports dropped by 38 percent, and the value of imports fell from £13.2 million in 1929 to £5 million in 1931[74]

The colonial territories were hence, also affected by the Great Depression and the actions of the colonial powers during the Depression have only succeeded in worsening the plight of their dependencies.

To solve the crises caused by the Great Depression, the colonial powers simply turned their attention towards their colonized territories. Britain in particular, looked towards her colonies to cushion the effects of attendant shock of the depression. Economic policies of the colonial powers eventually became aggressively centred on the followings:

(i) Forcefully stimulated the peasants to grow more cash crops at cheaper price.

(ii) Encourage the consumption and importation of European goods, and

(iii) Ensured that trade with the colonized was conducted solely with the metropolitan power involved.[75]

In pursuance of the above new policies in Nigeria, the colonial office in London crafted a broad policy of austerity resting on pay cuts, retrenchments, broadening taxation, aggressive revenue drive and suspension of public works. Other aspects of economic recovery policy of the depression period carried out by the British in Nigeria included; expansion of export crops, direct money transfers to Britain and to a lesser extent, price controls. The British also vigorously enforced imperial preference, a system of tariffs designed to discourage both sales of colonial raw materials to non-British Empire buyers and the importation of manufactured goods from outside the empire.[76] The effect of this on currency in colonial Nigeria was that there was the domination and prevalence of the

[74]G. K. Helleiner, *Peasant Agriculture, Government and Economic Growth in Nigeria*, Illinois, Richard D. Unwin Limited, 1976, p. 18.
[75]U.A. Daniya, "The British Government and Colonial Economic Policy...", *op.cit.*
[76]See W. Oyemakinde, *Global Economic Meltdown*, Ibadan, Sunlight Syndicate Ventures, pp. 25-26.

British currency over that of the other Europeans since the imperial policy discouraged Nigerians from trading with the non-British.

Thus, the depression with its drastic collapse in the world export prices meant a drastic decline in the currency available in Nigeria since the amount of money was strictly related to the monetary value of exports. Similarly, as a result of collapse of prices of agricultural produce, the depression further resulted in farmers getting very little from their produce in Nigeria. The farmers therefore, had to produce more export crops to get enough British currency that would enable them pay high taxes imposed on them during the depressive years. This, together with the 'imperial policy' of 1932, which forced colonies to purchase goods only from Britain and export their raw materials only to Britain; not only forced the prices of export goods down and shot the prices of imported goods up, but also forced people to acquire more British currency to meet the demand of the time. The basis for this statement was simply because the only currency to be accepted for the payment of taxes and purchase of imported goods were the British coins and notes.[77]

In the former Sokoto Province, the impact of Great Depression was more felt in the areas of cotton and groundnuts production. The event seriously halted expansion of production of the two products in the province. For instance, it forced the B.C.G.A. to offer low prices and curtail purchase of cotton during 1930/31 cotton season in the province. The total quantity of cotton purchased by the B.C.G.A. during the season was £1.9 million (one million, nine hundred thousand pounds) as opposed to £8.5 million (eight million five hundred thousand pound) purchased during the 1929/1930 cotton season.[78] The sloping down in cotton trade in the province continued reaching its peak during 1933/34 cotton season when the B.C.G.A. purchased only 5% of the cotton

[77]P.J. Shea, "Making Money in Northern Nigeria...", *op.cit*, p. 17.
[78]NAK/SOKPROF/2/18/229/1926, Sokoto Provincial Annual Report, by C.A. Woodhouse, February, 1927.

produced in the whole province.[79] Like cotton producers, groundnut producers in Sokoto Province were also unable to sell their groundnuts due to economic depression and its repercussions. For example, in 1933 demand for groundnuts in the province was so low that its producers in eastern Sokoto Emirate were unable to sell their groundnuts even though they were willing to sell it as low as 5d (five pence) per £25 (twenty five pounds).[80]

Withdrawal of some British coins during the Great Depression was another effect of the depression on the British currency in Nigeria. Although the policy of withdrawing British silver coins from Nigeria was not a new phenomenon as it was started during the First World War and for the second time as early as 1920 when new alloy coins were introduced, the incidence became more pronounced during the early period of the depression. For instance, between the end of 1931 and early 1932 financial years £6,184,000 in silver coins had been withdrawn from circulation in Nigeria. Similarly between 1932 and 1933, the period that was described as 'the very difficult years of depression', about £204,000 in silver coins was withdrawn from Nigeria. Alloy coins were however introduced by the British during the Depression, in place of the silver coins which were no doubt cheaper in terms of production and handling.[81] The replacement of silver coins with alloy coins during the depression was therefore mainly with a view to minimising the cost of minting the silver coins, which were far more than that of minting the alloy coins.

Not only were the silver coins withdrawn during the depression years in Nigeria. Colonial correspondences from the main treasury office in Lagos to regional and local treasury offices all over the country and vice versa, as from 18th June, 1937 have indicated decision of the colonial government to withdraw even bank of England notes from Nigeria

[79]P.K. Tibenderana, Sokoto Province..., *op.cit*, p. 241.
[80]*Ibid*, p. 243.
[81]M.E. Ochonu, "A Colony in Crisis: Northern Nigeria, British Colonialism and the Great Depression", PhD (History) *Thesis*, University of Michigan, 2004, p. 215.

during the Depression. According to one of the correspondences between the Currency Officer, Treasury Office, Lagos and the Assistant Treasurer, Kaduna Regional Office, titled "Withdrawal of Bank of England Notes", reads:

> In connection with the notices respecting the withdrawal of Bank of England Notes from circulation, which were transmitted to you with my memorandum No.3/1994 of 18th June, 1937, will you please remit any notes which you have collected to this office and arrange to remit any which you receive in the future at the time of receipt.[82]

Consequent upon the above directive, considerable quantity of the British bank notes in the denominations of £1 (one pound), 10s (ten shillings) and 2s (two shillings) introduced in the country in 1916 as well as £5 (five pound) introduced in 1919 were withdrawn from Nigeria.[83] In Sokoto Province, it was in compliance to the aforementioned directive that the Currency Officer in-charge of Sokoto Local Treasury Office remitted to the Treasury Head Office in Lagos the sum of £164.20s (one hundred and sixty four pound, twenty shillings only).[84] The memo reads: "I remit herewith the following Bank of England Notes"[85] and the information therein in presented in the following table.

Table 3.3: Remittance of Bank of England Notes to the Treasury Head Office Lagos by Sokoto Local Treasury Office

£100	in £1 Notes
£64	in £1 Notes
10s	in 10s
10s	in 2s
TOTAL	£164.20s

Source: NAK/FINANCE/No3263/21A. Withdrawal of Bank of England Notes, 22nd October, 1937, p. 10.

[82]NAK/FINANCE/14/C.B.1/37. Public Notice on Redemption of Bank of England Notes, 18th June, 1937, p. 4.
[83]D.O. Chukwu, "Trends and Changes in the Nigerian Currency System...", *op.cit*, p. 93.
[84]Detail of this is contained in the memo reference number 74/c.B.1/37 of the 25th of September, 1937dated 22nd October, 1937
[85]NAK/FINANCE/No3263/21A. Withdrawal of Bank of England Notes, 22nd October, 1937, p. 10.

The withdrawal of large amount of both the British bank notes and silver coins as well as replacement of the later by few alloy coins caused to a very large extent counterfeiting of the British currency in Nigeria during the Depression years. This was as a result of shortage and scarcity of the British currency informed by the large withdrawal and insufficient replacement. The scarcity of cash created by the silver coins withdrawal and lack of popularity of the alloy coins on one hand, and their effect of bringing about counterfeiting of the British currency on the other, was one of the biggest single problem caused by the Depression in Nigeria. Welman, who was the Acting Secretary, Northern Provinces by 1935, informed the Resident of Sokoto Province about circulation of counterfeit coins in the neighbouring provinces of Niger, Ilorin and Kabba and warned him of the possibility of having similar incidence in Sokoto Province.[86] The resident further sent the memo to all Native Treasuries in the Province namely- Sokoto, Gwandu, Argungu, Yauri, and Zuru for their information and guidance.[87] Another memo was later sent by the Acting Resident, Sokoto Province to the District Officers (D.O.s) of Sokoto, Gwandu, Argungu, Yauri and Zuru Divisions. It was attached to the following documents

(i) Confidential memorandum No. 12072/355 of 5th February, 1937 from Secretary Northern Provinces.

(ii) A copy of some notes in connection with the detection of counterfeit coins.[88]

It further directed the D.O.s in the province to notify all Native Treasurers and other Native Administration officials about some methods of detecting counterfeit coins outlined by one Mr. Smith.[89]

[86]WJHCB/SOKPROF/12072/106, SNP to Resident of Sokoto Province- Counterfeit of Coins, 5th November, 1935.
[87]*Ibid.*
[88]WHCB/AUD/27/49/198/51, Resident Sokoto Province to D.O.s Sokoto, Gwandu, Argungu and Zuru Divisions- Counterfeit Coins, 17th February, 1937.
[89] *Ibid.*

Some reports on counterfeiting of the British currency in Nigeria shows that the problem had a trans-regional dimension with actors using southern Nigeria as the manufacturing centre and northern Nigeria as distribution zone. The end result of all these was that, Nigerian peasants eventually reverted in some cases, to trading by barter and in other cases to the use of some pre-colonial currencies as medium of exchange. For instance, the brass rods which enjoyed wide circulation in the Benue valley and in the Niger/Benue confluence area re-emerged. That was also the case with cowries and manilla in northern and southern Nigeria respectively.[90] Similar incidence of the re-emergence of cowries and other traditional currencies were also reported by Abdulkadir,[91] in Igalaland during the Great Depression.

Another response of the colonial subjects to the counter-depression monetary policy of the British in Nigeria was refusal to adopt the cheap metal alloy coins introduced in place of silver coins. Consequently, the monetary basis of the colonial economy lost some of its appeal, causing confusion among locals, and undermining local trade. Like other measures designed to transfer capital from colony to metropolis for the purpose of helping the latter's economic recovery, monetary withdrawal and the introduction of substitute currency (alloy) had generated dynamics that required careful managing in the colonial grassroots.[92]

Mr. C.F.D. Atkinson, who was the Acting Secretary, Northern Provinces, Kaduna by 1938 had to write to the Resident of Sokoto Province and other residents in northern Nigeria; informing them that he was directed by the Acting Chief Commissioner to request them urge the Native Administrations in their provinces to examine all nickel coin which

[90]M.E. Ochonu, "A Colony in Crisis..., *op.cit*, pp. 219-220.
[91] See M.S. Abdulkadir, "Currency Problems in Igalaland, Central Nigeria: 1930-1934", *TransAfrican Journal of History*, Vol. 24, 1995, pp. 178-185.
[92] *Ibid, p.* 220.

they receive in the course of tax collection.[93] He further requested them to deliberately sort damaged nickel coins by colonial subjects in their respective provinces and then, pay them into treasury for eventual withdrawal. He added that apart from the desirability of maintaining the currency in satisfactory condition, the payment of nickel coins into current account at banks would be greatly facilitated if coins were sorted.[94]

The fiscal crisis of the Depression period in Nigeria were further compounded by 'lending' and 'exporting' money from the already depressed economy to foreign countries. During the financial years 1930-34 for example, out of the Northern Nigeria Native Administrations, surplus of £5,589,270.5s.2d, about 44.87% amounting to £2,508,354.1s.9d was invested in what was known as 'Crown Colonies': Ceylon, the Strait Settlements (Singapore), Trinidad, New Zealand and Australia. Similarly, between 1933 and 1934, Northern Nigerian Treasuries had investments worth £1,688,068.9s.8d (30%) in fixed deposit accounts in Nigerian banks. Paradoxically however, many of the investments earned interests at rate considerably below those paid by the Nigerian government. While the investments in Nigeria yielded interests of between 4-5%, those invested abroad yielded only 3-3.5%.[95]

3.7 The British Currency in the former Sokoto Province during the Second World War

The Second World War began in 1939 and ended in 1945. The war and its repercussions just like during and after the Great Depression, led to series of changes not only in monetary policies of the colonial powers, but the changes also affected most aspects of colonial economy of the Europeans in general and British in particular. In the case of monetary policy of the British in Nigeria during the Second World War, the first

[93] NAK/SNP/10/152P/1938, "Nickel Currency", 24th October, 1938.
[94] *Ibid*.
[95] M.S. Abdulkadir, "Structuring, Struggling and Surviving Economic Depression...", *op.cit*, p. 2.

action taken by Britain was that, it strengthened its policy of the depression period by ensuring that only British currency were accepted for payment of taxes as well as for the purchase of imported goods. The WACB also implemented various defensive financial regulations which operated during the period of the Second World War and included an operation of an exchange control and saving of hard currencies and gold.[96] In the former Sokoto Province, finances of four Native Treasuries of Sokoto, Gwandu, Argungu and Yauri, had between 1942 and 1943 (during the war), recorded improvements in terms of payment of taxes using the British currency only. In Sokoto, Gwandu and Argungu Emirates, the use of the British currency to pay taxes during the war only, was increased by 14%. In Yauri Emirate, it was increased by 6.6% compared to the period before the Second World War.[97]

Another strict measure taken by the British during the Second World War in order to cushion effects of the war time and ensure continued exploitation of its colonies was that by 1940 all the European firms operating in Nigeria were compelled to transact and accept only the British currency as the sole legal tender. It has already been stated that the shortage of the British currencies experienced during and after the First World War, as well as during and after the Great Depression necessitated the use of either other European currencies or even local currencies in some cases. However, during the Second World War the British Government in Nigeria reversed the policy and insisted on the use of only its currency in all business transactions in its colonial territories. Not only the middlemen who penetrated villages of Southern Nigeria to purchase goods from producers; even the Lebanese, whose commercial transactions extended to the vast areas especially in northern Nigeria (Kano, Gusau, etc) were strictly supervised by the British to ensure compliance

[96]P.J. Shea, "Making Money in Northern Nigeria...", *op.cit,* p. 290.
[97]NAK/SOKPROF/6319, 'Native Treasuries Finances', 1943.

with new directive of accepting only the British currency in transactions during the war time.[98]

There is a special sense in which to understand this British thorough-bred policy of enforcing the British currency. This is to be seen in the way the British companies stood to have immense gains from the enforcement. In other words, the policy ensured a boost and smooth growth and expansion of the British companies with a firm base in currency encashment. No barter, no alternative currency and therefore no delay in colonial economic and trade transactions. According to Crowder, "English capital... has introduced banks and a convenient currency and that the result was an enormous expansion of trade, in which the natives performed their part and reaped their reward."[99] The economic policy on the part of newly established governments in both the British and French West Africa, therefore, subordinated African interest to those of the needs of the Metropolis.

The British also seized opportunity of the Second World War time in Nigeria to devalue the traces of local currencies in different parts of the polity. The devaluation of the local currencies was made in such a way that their exchange rate in relation to the British currency became very low. Their values (local currencies) were made very low, so much so that their large sums like loads of cowries or manillas had to be exchanged to pay for only little purchase or service delivery. The circumstance provided by the war therefore, provided easy opportunity for the colonial authorities to take final step in eradicating the use of local currencies in Nigeria, in 1948. According to Ofonogoro, this final attempt of getting rid of the manilla by the British in place of their currencies in Southern Nigeria was tagged 'Operation Manilla'. He added that in 1948 alone, the operation allowed the

[98]W.I. Ofonagoro, "From Traditional to British Currency in Southern Nigeria: Analysis of a Currency Revolution, 1880-1948", *The Journal of Economic History,* Vol. 39, No. 3, September 1979, pp.645-646.
[99] M. Crowder, West Africa Under Colonial Rule..., *op.cit*, p. 273.

colonial authorities to collect and destroy about 30 million Manillas. The cowries also suffered the same fate in northern and other parts of Nigeria.[100]

Similarly, with the fall of Malaya and other Asian colonies to the invading Japanese army during the war, Nigeria became increasingly important as a supplier of tin and other raw materials to help the British and allied war effort. Forced labour was reintroduced to the Plateau and Enugu mines and many people were taken to the mines to produce tin, which was an essential mineral for much military equipment. The British government took over all produce marketing from traders and monopolized it. Through the West African Produce Control Board (WAPCB), prices of all export commodities (such as cotton and groundnuts) were fixed by the government and companies only paid commissions for what they purchased. Exports were hence, controlled by the government and went only to Britain. Imports of essential goods such as cement, iron roofing, petrol, kerosene etc were severely restricted and they did not match the exports. The primary aim of all these restrictions on imports and exports was to protect the trading position of Britain in the world market, as well as to strengthen and consolidate the international value of pound starling.[101]

Not only did the Second World War period enhance the use of British currency in colonial Nigeria but also the use of Japanese currency in some parts of the country came up. The Japanese currency, which was largely obtained from the war veterans, became relatively available amongst some local communities particularly after the war. The Resident of Sokoto Province was for instance, informed by G.H. Farrell, Assistant Commissioner of Police in-charge of the province about existence of some Japanese currency notes in the province. He reported thus,

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[100] *Ibid,* p. 646.

[101]P.J. Shea, "Making Money in Northern Nigeria...", *op.cit*, pp. 290-291. See also, *R*.O. Ekundare, *An Economic History of Nigeria 1860-1960,* London, Mathuen and Co. Ltd, 1973, p. 328.

> Traders have been found tendering Japanese 10 cent, 1 rupee notes and 10 rupee which they have presumably (at a discount) obtained from returning soldiers. The 10 cent notes are dark brown, with a lighter centre and measure "4x2". They have the figure 10 in each corner and are inscribed in dark brown.[102]

The Second World War further created some circumstances that became a turning point in the acceptability of the British currency in Nigeria especially in the remote villages. Nigerian war veterans who served in Burma and India during the war returned home with the British currency. In addition, they were given more funds in British currency for the purpose of demobilisation. This resulted in having so much British currency in circulation in the hands of colonial subjects in Nigeria than ever before not only in towns and cities, but also in many remote areas and villages. The class of educated Nigerians of the time who received their salaries in British currency were also, by 1930s and 1940s at the forefront in preferring everything European rather than African. This equally promoted the acceptance and wide spread use of the British currency among Nigerians.[103]

3.8 Conclusion

With the imposition of British administration in area however, the colonial economy interrupted orientation of the local economy not only in the study area, but also in the entire country. By 1912 when the WACB was established, the body intensified various means to ensure survival of the British currency in our study area in particular, as well as in Nigeria and British West Africa in general. This was despite the occurrence of some global tragedies like the First World War, the Great Depression and the Second World War.

[102]WJHCB/594/4. ACP to the Resident Sokoto- Japanese Currency Notes, 29th November, 1945
[103]*Ibid*, p. 291.

CHAPTER FOUR

COLONIAL ECONOMY IN NIGERIA AND BRITISH CURRENCY IN THE STUDY AREA, 1946-1959

4.1 Introduction

The Second World War war which lasted from 1939 to 1945 had a far reaching impact on the entire world. Like in other colonial territories, Nigeria was drawn into the conflict as an appendage of one of the war participants (the British). The country contributed in the war in the area of mobilizing raw materials and man power; and at the end, the war considerably impacted on the economy and society of Nigeria.[1] The major guiding principle of the British colonial officials during the period under review continued to be in line with the French saying, that "the colonies have been created for the metropole by the metropole".[2] In the context of Nigeria therefore, the country continued to be regarded as a place of exploitation for feeding the metropolitan British economy by providing a source of primary commodities for the British industries as well as market for the British merchandise. Efforts have been made in this chapter to examine Nigeria's colonial economy in general and the British currency situation between 1946 a year after the end of the Second World War, to 1959 the time when Nigeria was approaching independence which subsequently came in 1960.

4.2 An Overview of the Colonial Economy in Nigeria, 1946-1959

The intensification of hostilities during the Second World War (1939-45) led to the slowing down of agricultural activities and the call to Departments of Agriculture to play increasing roles in the production of food for the army and civilians in the country and the

[1]C. Liedholm, "The Influence of Colonial Policy on the Growth and Development of Nigeria's Industrial Sector", in C.K. Eicher and C. Liedholm (eds.), *Growth and Development of the Nigerian Economy*, USA, Michigan State University Press, 1970, p. 53.
[2]Quoted by W. Rodney, *How Europe underdeveloped Africa*, Abuja, Panaf Publishing Inc, (2009 Edition), p.177.

Empire.[3] Production of export crops like palm products and rubber which could not be obtained from Malaysia as a result of Japanese war activities in South-East Asia, and such food items as sugar, wheat, milk, eggs, vegetables, Irish potatoes and rice whose importation was prevented by naval blockade of the high seas increased. A special production section of the Department of Agriculture was set up to deal with the situation. During this period, the West African Institute for Oil Palm Research (WAIFOR) in Benin City, Nigeria was started and the research on cocoa was intensified at Moor Plantation, Owena near Ondo and at Onigambari near lbadan.[4] Achievements of the period include the development of 'Alien Cotton' in the south; rice cultivation in Sokoto, Niger, llorin, Abeokuta Colony and Ondo provinces; the introduction of wheat cultivation in the more northern parts of the northern provinces; and the expansion of production of such export crops as cocoa, oil palm and groundnut. There were also the development of agricultural implements as well as designing farm buildings; intensification of horticultural activities; the development of a marketing section of the Department; the extension of the Produce Inspection Service to cover all principal export crops; investigations into the possibilities for organized land settlement schemes; and investigations into the possibilities of irrigation in northern Nigeria.[5]

As in the years before the Second World War, the largest single sector of the Nigerian economy during the period 1946 and 1959 was the agricultural sector. This was so because the dominant motive of colonialism was to get cheap raw materials and expansion of markets for the finished products of the colonialists. After the war the colonial authorities, through a combination of devices, stimulated the production of such

[3] H.A. Oluwansanmi, *Agriculture and Nigerian Economic Development*, Ibadan, Oxford University Press, 1966, p. 220.
[4] *Ibid*.
[5] *Bid*, p. 221.

industrial raw materials as palm oil and kernels, cocoa, cotton, groundnut and rubber.[6] One of such devices was that land devoted to export crops production expanded greatly. Agricultural departments also became active in distributing chemicals such as fertilizer, insecticides and pesticides in order to increase productivity. More labour went into agriculture, especially into the highly specialized production of the export crops and as before, the major products were cocoa, cotton, peanuts, oil palm, groundnuts and rubber. Each one of these produces witnessed some changes in their cultivation and trade after the Second World War.[7]

However, during the Second World War there were shortages of labour in agriculture and other sectors of the economy in Nigeria as well as in the other colonial territories in Africa. This was largely because many people especially the youths and able bodied men of the countries were conscripted into the British army and fought the war for Britain. Consequently, there was low production of raw materials from Africa. Among other things, this was one of the reasons that led to the introduction of colonial industrialization by the colonial powers in all their colonies in Africa.[8]

The worldwide shortages of raw materials experienced during and immediately after the Second World War instigated huge demand for the raw materials. This resulted in an export boom, which lasted until the 1950s. Although the famers continued to be underpaid, they still were able to make some profits largely due to the frequent demand of their products.[9] The end result of the phenomenal increase in the export trade of Nigeria was increased in the incomes of the country's peasant farmers. For example, the total value

[6] See M. Crowder, West Africa Under Colonial Rule..., *op.cit,* pp. 492-493.
[7] H.A. Oluwansanmi, *Agriculture and Nigerian Economic Development...*, *op.cit,* p. 223.
[8] *Ibid*, p. 493. By colonial industrialization, we mean the introduction of import substitution and establishment of processing industries by the colonial powers in their colonies during the Second World War (1939-1945). This was consequent upon the problems of shortage of labour, closure of many industries in Europe and turning of several merchant ships used for export and import into warships. For more on this, see J.O.C. Onyemelukwe, *Industrialization in West Africa*, Sydney, CroomHelm Australia Pty Limited, 1984.
[9] T. Falola, *Economic Reforms and Modernization in Nigeria, 1945-1965*, Ohio, Kent State University Press, 2004, p. 87.

of total domestic exports in Nigeria increased from £23.7 million in 1946, to £129.8 million and £165.6 million in 1955 and 1960 respectively.[10] The increase can be better demonstrated in percentage using the table below:

Table 4.1: Sample Period Increase in Export trade of Nigeria, 1946-1960

S/No.	Year	Domestic export (in millions)	Difference in millions (if any)	Increase in percentage
1	1946	£23.7	-	-
2	1955	£129.8	£106.1	106.1÷129.8×100 = 81.7%
3	1960	£165.6	£141.9	141.9÷165.6×100 = 85.7%

Source: R.O. Ekundare, *An Economic History of Nigeria 1860-1960,* London, Mathuen & Co Ltd, 1973, p. 225.

The above table shows that the Nigeria's domestic export was increased from 1946 by 81.7% in 1955 and by 85.7% in 1960 respectively. This means that there was a remarkable increase in the Nigeria's export trade as from 1946, a year after the end of the Second World War. Hence, new roads were opened in the country during the 1940s that allowed more movement of goods and people from rural areas to urban centres.[11]

Similarly, the various restrictions on imported goods, which characterised the entire wartime period, were gradually lifted. Consequently, this also led to increase in commerce. For instance, the value of total imports in the country increased from £19.8 million in 1946 to £136.1 million and £215.9 million in 1955 and 1960 respectively.[12] This can equally be presented in percentage in the table below:

[10] R.O. Ekundare, *An Economic History of Nigeria 1860-1960,* London, Mathuen & Co Ltd, 1973, p. 225.
[11]T. Falola, Economic Reforms and Modernization in Nigeria…, *op.cit*.
[12]R.O. Ekundare, An Economic History of Nigeria…, *op.cit,* pp. 225-226.

Table 4.2: Sample Period Increase in Import trade of Nigeria, 1946-1960

S/No.	Year	Imports(in millions)	Difference in millions (if any)	Increase in percentage
1	1946	£19.8	-	-
2	1955	£136.1	£116.3	116.3÷136.1×100 = 85.5%
3	1960	£215.9	£196.1	196.1÷215.9×100 = 90.8%

Source: R.O. Ekundare, *An Economic History of Nigeria...*, *op.cit*, p. 226

The above table also indicates that the value of Nigeria's imports had risen from 1946, a year after the end of the Second World War, by 85.5% in 1955 and by 90.8% in 1960. Here too, this means that there was a remarkable increase in the Nigeria's imports as from 1946.

Furthermore, consumer-oriented industries focusing on semi-manufacturing production such as leather tanning, saw milling, peanut crushing, rubber processing, palm kernel crushing and cotton ginneries were established by the British in1940, shortly after the commencement of the Second World War. Other firms were added, notably by the Unilever Group, which produced soft drinks and soap; the Nigerian Breweries produced beer, and the British Tobacco Company produced cigarettes.[13] But in spite of role of this sector of the economy, agriculture remained the bedrock of the colonial economy in Nigeria and indeed in Africa, after the Second World War. Up to the 1950s, two-thirds of the national income in Nigeria came from agriculture. For instance, the value of Nigerian agricultural exports rose from £78.6 million in 1950 to £139.4 million in 1959, when the overall exports of the country for the same period were £88.4 million in 1950 and £160.5 in 1959.[14] Table 4.3 below, provides Nigerian earnings for the period 1950-1959.

[13]For more on the production of Tobacco in some parts of the study area, see S.M. Danyaya, "A Study of Tobacco Production and Merketting in Sanyinna Disrtrict of Sokoto State, 1950-2007", *M.A. (History)* Dissertation, Usmanu Danfodiyo University, Sokoto, 2012.
[14]T. Falola, Economic Reforms and Modernization in Nigeria…, *op.cit*, p. 86.

Table 4.3: Nigerian earnings for the period 1950-1959

Year	Imports (£m)	Domestic Exports (£m)	Agricultural Exports (£m)	Agricultural Percent of Domestic Exports
1950	61.8	88.4	78.6	88.9
1951	84.5	116.6	100.7	86.4
1952	113.2	125.1	110.1	88.0
1953	108.2	120.8	104.2	86.3
1954	114.0	146.2	127.3	87.1
1955	136.1	129.8	108.6	83.7
1956	152.7	132.2	112.7	85.2
1957	152.4	124.1	104.6	84.3
1958	167.7	132.7	115.4	87.0
1959	179.5	160.5	139.4	80.9

Source: T. Falola, *Economic Reforms and Modernization in Nigeria, 1945-1965*, Ohio, Kent State University Press, 2004, p. 87.

From the above table, it is clear that between 1950 and 1959 there was no single year when agricultural sector contributed less than 80% of the Nigeria's total domestic exports. This means that agricultural sector continued to play a significant role in the Nigeria's total domestic export even after the Second World War and of course up to time of independence in 1960 and a decade thereafter.

Since the Second World War time control of export crops introduced by the colonial government in Nigeria recorded some successes, the colonial government therefore, decided to continue using the measure for purchasing and marketing export produce. This led to the creation of the Marketing Board system in all the British West African territories. In Nigeria, the period 1947-1949 witnessed the establishment of the following marketing boards:

(i) The Nigerian Cocoa Marketing Board, established in 1947.

(ii) The Nigerian Groundnut Marketing Board, established in 1949.

(iii) The Nigerian Oil Palm Marketing Board, established in 1949.

(iv) The Nigerian Cotton Marketing Board, established in 1949.[15]

The Nigeria's Marketing Boards were statutory monopolies handling Nigeria's major agricultural exports. They had their origins in wartime arrangements for the orderly marketing of West African produce and the protection of United Kingdom supplies of raw materials.[16] The primary functions of the boards were to promote the development of their respective export produce, to stabilise producer prices and to contribute to the overall development of the colonial economy.[17] This means that the marketing boards were created primarily to monitor production, sales and export of the cash crops. The boards certainly stabilised producer prices at a generally low figure, considerably below the world prices.

The period 1947-54 was therefore, the one during which the Nigerian Marketing Boards acquired enormous reserves. The table below shows the total accumulations of the four Nigerian Commodity Marketing Boards until their dissolution in 1954.

Table 4.4: Total Accumulation by Nigerian Commodity Marketing Boards, 1947-54 (£ millions)

	Cocoa	**Palm oil**	**Palm kernels**	**Ground-nuts**	**Cotton**	**Total**
Initial reserves trading	8,896.6	-	11,457.0	4,487.8	250.0	25,091.0
Net trading surplus	33,797.4	2,269.7	18,790.8	22,483.6	6,968.6	84,310.1
Excess of other income over expenditure	3,349.3	-	2,497.3	3,563.9	1,102.7	10,513.2
Total	46,043.3	2,269.7	32,745.1	30,535.3	8.321.3	119,914.7

Source: G.K. Helleiner, "The Fiscal Role of the Marketing Boards in Nigerian Economic Development, 1947-61", Z.A. Konczachi and J.M. Konczachi (eds.) *An Economic History Tropical Africa,* Frank Cass, p. 89.

[15] R.O. Ekundare, An Economic History of Nigeria…, *op.cit,* pp. 286-288.
[16]See G.K. Helleiner, "The Fiscal Role of the Marketing Boards in Nigerian Economic Development, 1947-61", Z.A. Konczachi and J.M. Konczachi (eds.) *An Economic History Tropical Africa,* Frank Cass, 1977, p. 88.
[17]R.O. Ekundare, An Economic History of Nigeria…, *op.cit,* p. 288.

It is clear from the above table that the largest trading surpluses had been realised by the Cocoa Marketing Board and the remaining three had equally accumulated substantial reserves.[18]

Planning for the British economic development may also be said to have begun in Nigeria in 1946. Under the impetus of the scheme for the country contained in the 1945 Colonial Development and Welfare Act, a ten year plan (1946-1956) for development and welfare was inaugurated. During the period, the colonial government planned to make a total capital expenditure of £55 million. The funds were allocated for a variety of projects ranging from small community improvements to the construction of major health, educational and research facilities. A substantial proportion of this was allocated to social services, transport and communication in accordance with the development orientation of the authorities. For instance, the improvement of water supply and health services was allocated as much as 25% whereas industry and agriculture, the directly productive sectors, were allocated only 6.4% of the budget. During the 1955-1959 period, the total planned capital investment, £330 million was much larger than that of the previous period, but the allocation for industrial and agricultural development, although higher than before, was still small, being only 9.0%.[19]

The transport sector alone was to take 38.7%. As part of the effort to change the structure of the economy, the governments (both Federal and Regional) decided to specifically encourage and induce foreign investments in the country, especially for industrial production. These mounted a campaign in Europe by which they sought to make known to European industrialists, in particular, the opportunities that were available for investment in Nigeria, and announced a number of generous incentives to attract them.

[18]G.K. Helleiner, "The Fiscal Role of the Marketing Boards…", *op.cit*, p. 90.
[19]A.M. Kamark, *The Economics of African Development*, New York, Fredrick A. Praeger, 1967, pp. 209-210.

They included the aid to pioneer industries in 1952 and the industrial development (income tax relief) ordinance of 1958. Other incentives included guarantees on the security of foreign investments and freedom to repatriate their capital at any time they wanted to do so.[20]

The period of Internal Self Government from 1951 to 1960 began with the constitutional developments which led to independence of the Regional Departments of Agriculture. The Federal Department of Agricultural Research was retained since constitutional provisions placed agricultural research on the concurrent legislative list, while extension work remained a regional responsibility. The research findings of the Federal Research Stations were to be transmitted through Regional ministries responsible for agriculture and natural resources. There was also the setting up, in 1955, of a Technical Committee of the Council of Natural Resources made up of Federal and Regional Ministers and officials for the formulation of national research programmes as well as the coordination of Federal and Regional research activities.[21]

Thus, to achieve development in Nigeria, the colonial administration nurtured private entrepreneurs and relied on them to take the necessary decisions, such as: the choice of projects in which to invest and therefore, the types of goods to be produced in the economy; the materials to use in producing the goods and the sources from which to procure them; the techniques to employ in production and their sources; the locations of such activities in the local economy; and who to collaborate with on the projects and the terms of such collaboration. Due to the fact that these are the crucial decisions in the

[20] R.O. Ekundare, An Economic History of Nigeria…, *op.cit*.
[21] *Ibid*.

development process, the colonial administration's approach amounted to leaving the task of developing the economy and society to private business men and women.[22]

The government policy on economic development during the period under review was therefore largely based on what could be regarded as pre-industrialization projects: which aimed at providing the infrastructure in the hope that this would induce spontaneous private investment, particularly in industry and agriculture.[23] But the changing social, economic and political conditions in Nigeria soon exposed the difficulties in planning and executing the scheme for a period as long as ten years. Although the 1946 plan was highly centralized, the division of the country into regions in 1947 weakened the central mechanism for its implementation. Thus, the increasing regional autonomy and responsibility in economic matters led to substantial deviation from the original plan. Consequently, the government introduced a revised one for the period 1951-6. The latter plan saw further changes in 1954 when the Federation of Nigeria came into being, and the regional governments assumed responsibility for those parts of the plan coming within their respective territories.[24] Part of the result of this was the creation of the Northern Regional Development Corporation (N.R.D.C).

4.3 The Creation of Northern Regional Development Corporation (N.R.D.C) by the Northern Regional Government

The Northern Regional Development Corporation (N.R.D.C) was established on 1st January, 1956 by the provisions of the Northern Nigerian Law No. 14 of 1955. It was established to play a key role in the economic development of Northern region by assisting the commercial, industrial and agricultural development of the region. The corporation was

[22]See A. Olukoju, "Buy British, Sell Foreign: External Trade Control Policies in Nigeria During World War II and its Aftermath, 1939-1950", *International Journal of African Historical Studies*, Vol. 35, No. 2-3, 2002, p. 63.
[23]A.M. Kamark, The Economics of African Development…, *op.cit,* p. 230.
[24]*Ibid*, p. 231.

an investment and holding company that was involved in various land settlement schemes, agricultural production development, abattoirs development, industrial development, water supply and communications.[25] It had its origins from the Nigeria Local Government Board at Regional level and its successor, the Northern Region Development (Loans) Board, and it was created to combine the functions of these two organisations. It also drew its initial capital mainly from the Nigerian Marketing Boards and was later renamed the Northern Nigeria Development Corporation (N.D.D.C).[26]

Whitaker,[27] had explain that the extent to which the ruling political party in the North, the Northern People's Congress (NPC) succeeded in controlling the new structures and functions arising from development programmes were considerable. According to him, apart from those "politically responsible" ministries directly concerned with development, the major Northern economic development institutions were the Regional Marketing Board and the Northern Region Development Corporation, both of which were nominally autonomous. Established under the constitution of 1954, the Regional Marketing Board provided investment and loan capital for the statutory Northern Region Development Corporation. Hence, the most important functions of the N.R.D.C. were the provision of loans to persons for schemes and projects, and the investment of funds in productive agricultural and industrial projects.[28]

The total capital of the N.D.D.C at the end of March 1961 was about £9.2 million of which £6.7 million was sourced from the Nigerian Groundnut Marketing Board and about £1.3 million came from the reserves of the Northern Region Marketing Board. Of the remaining £1.2 million about £490,000 was a development grant. The remaining

[25]See Accounts Report of the Northern Region Development Corporation, Nigeria as at January 1956, Gaskiya Corporation, 1956, p.
[26] Fourth Annual Report of the Northern Region Development Corporation 1958/1959, Kaduna, p. 8.
[27]C.S. Whitaker, *The Politics of Tradition: Continuity and Change in Nigeria, 1946-1960*, New Jersey, Princeton University Press, 1970, p. 388.
[28] *Ibid.*

£710,000 was derived from reserves of the Nigerian Cotton and Oil Palm Produce Marketing Boards. The Corporation had equally expended a large number of grants on forestry improvements, land settlement and urban development even though they have long term returns and social benefits.[29]

Therefore, following the increased economic activities, and of course political activities caused by preparations for self rule both at local and international levels in the 1940s and 1950s, the demand for new currency notes of relatively higher denominations got on the increase. This development resulted in the introduction of 20s (twenty shillings) bank note by the WACB in 1953 not only for Nigeria but also for all the British West African territories, and re-introduction of 10s (ten shillings) and £5 (five pound) bank notes introduced earlier in 1916 and 1919 respectively, but which had to be withdrawn by the Board in 1937 together with 2s, and £1 due to economic slumps created by the Great Depression.[30] Thus, the 10s bank note was redesigned and re-introduced in 1953. In the former Sokoto Province, the Resident had in a memo titled 'New West African Currency Notes' dated 16th September, 1953,[31] written to inform Native Authorities of Sokoto, Gwandu, Argungu and Yauri about introduction of the aforementioned currency notes. His words were:

> I have to inform you that on 1st October, 1953 new 10s, 20s and £5 will be brought into use in all British West African Territories and will be legal tender from that date. The new notes will circulate on an equal footing with the existing notes but the latter will gradually be withdrawn from circulation... I am sending you herewith the following, to be used in a publicity campaign (a) 4 specimen of 10s notes, (b) 4 specimen of 20s notes, (c) 4 specimen of £5 notes (d) a supply of posters in English, (e) a supply of posters in Hausa and (f) a supply of handbills in Hausa.[32]

[29]M. Bello, "Manufacturing Enterprises in Gusau: 1965-2007", M.A. (History) *Dissertation*, Usmanu Danfodiyo University, Sokoto, 2012, p. 38.
[30]D.O. Chukwu, "Trends and Changes in the Nigerian Currency System, Colonial period- 2008", *Studies of Tribes and Tribals*, Vol. 8, No. 2, 2010, p. 93.
[31] WJHCB/ 61/ARG/1/15/16, Argungu Currency, p. 98.
[32]*Ibid*.

After the new currency notes came into circulation the WACB in collaboration with currency office, Lagos embarked on withdrawal and repatriation of substantial amount of nickel coins from circulation. It was in view of this that Mr. H.R. Hirst, who was the Currency Officer at the Currency Office Lagos, sent a memo titled 'Repatriation of Nickel' dated 27th October, 1953 to the Regional Treasurer, Kaduna.[33] It reads:

> As you will be aware from earlier correspondence, it is desired to withdraw and repatriate as many as possible of the nickel pennies and half-pennies. The Banks have accordingly been requested to withdraw from circulation all such coins received by them and to arrange for their onward transmission to Lagos through BBWA branches. The Board would also be prepared to meet any reasonable expenses in connection with recovery of these coins from Native Authorities holding appreciable quantities...[34]

Moreover as a follow up, and in order to ensure swift repatriation of the nickel coins from Sokoto Province, the Currency Officer at the Treasury Office, Lagos, wrote another memo this time directly to the Resident. The memo titled 'Repatriation of Nickel Pence and Half-Pence', dated 11th October, 1955 reads:

> In order to speed up the withdrawal of the nickel coins it would be of great assistance if arrangement could be made for the Native Administration Treasuries to retain all nickel penny and half-penny coins which pass into their hands, and for such coins to be exchanged at the nearest Branch of the Bank of British West Africa or Barclays D.C.O who are the Agents Banks of the West African Currency Board...[35]

To lessen effects of repatriation of the lower coins, the colonial government embarked on encouraging wider spread of the newly re-introduced 10s which was then the least currency note denomination since the 2s had already been withdrawn from circulation during the Great Depression. It was in view of achieving this goal that the Permanent Secretary, Ministry for Local Government, Northern Region, Kaduna, forwarded a Federal Circular which he described as a one that 'has the strongest support of the Regional

[33]WJHCB/CB.176/22/CO, Confidential- Currency Office, the Treasury Lagos, Nigeria, p. 31.
[34]*Ibid*.
[35]WJHCB/C.419/1/6/53, Currency- Circular Reference No. CB CB.176/III/318. P. 62.

Government', to all Residents of the Northern Provinces. [36] He added that "the circular is self-explanatory and it is hoped that particular attention will be paid to it by all Native Treasury Staff who can do much to help in this matter, i.e. to use 10s notes whenever possible in place of coin."[37] According to the circular,

> ...it is thought appropriate that the Federal Government Departments should assist in this exercise, so far as they can, by increasing the proportion of 10s notes in their requisitions to the Banks when drawing cash for the payment of salaries or wages. This could be done by reducing the amount asked for, under both 20s notes and coins. It is thought that the more 10s notes that can be injected into the circulation, the more likelihood there will be of their passing freely from hand to hand, getting the public used to them, and eventually, to prefer them to coins.[38]

All memos sent from the Currency Office Lagos to Regional Treasury Office Kaduna, were meant to be further circulated to all provinces for onward circulation to all Native Authorities in northern Nigeria. Efforts were, thus, made by the colonial authorities to ensure repatriation of nickel coin currencies as well as circulation and acceptance of the newly introduced currency notes particularly the 10s currency note.

4.4 Establishment of the Central Bank of Nigeria (CBN)

Before discussing the antecedents that led to the establishment of the Central Bank of Nigeria (CBN), it is important to know the meaning of central banking. The central bank is the apex bank in a country. It is the only financial institution established by government and charged with responsibility of day to day management and control of a nation's monetary affairs, the supervision and coordination of banking and financial activities of a country. Every country has only one central bank, whose motive is not to make profit, but to carry out the major financial operations of the central government of that country. It is called by different names in different countries. In Britain, it is called

[36] WJHCB/ C.419/1/6/53, Currency- Circular Reference No. 17/1958, dated 12th April, 1958, p. 124.
[37] *Ibid*.
[38] *Ibid*.

"the Bank of England", "the Federal Reserve System" in the United States of America, "the Bank of France" in France, "Riksbank" in Sweden, "the Reserve Bank of India" in India, etc. But in Nigeria, it is clearly called the Central Bank of Nigeria.[39] No matter the name by which it is called, the central bank in any country performs the same functions and they are therefore recognised by the functions they perform. These functions are highlighted in the mandates of the CBN listed on page 116 below.

In Nigeria, the earliest effort to establish the central bank dates back to the period of the bank failures of the early 1950s, consequent upon which the power of supervision of banks was vested in the Financial Secretary. Many nationalist leaders at that time advocated for the establishment of a central bank to perform the traditional functions of a central bank which the then colonial administration resisted on the pretext of the absence of a highly organized money market. The desire of the colonial administration to sustain the monetary role that the WACB was playing at that time; was apparently what led to the resistance. Nevertheless, the spirited agitations by the nationalists led to the institution of several commissions to examine the desirability and feasibility of establishing a central bank in Nigeria as an instrument for promoting the economic development of the country. It was in this regard that Mr. Fisher, an adviser to the Bank of England in 1952 and the International Bank for Reconstruction and Development (IBRD) Mission, which later became the International Monetary Fund (IMF), in 1953 considered the establishment of a central bank in Nigeria as premature. But, Mr. Loynes, another adviser to the Bank of England, in his own report in 1957 favoured the idea of establishing a central bank in Nigeria. The report thus, formed the basis for the draft legislation for the establishment of the Central Bank of Nigeria, which was presented to the House of Representatives in March 1958. The Act was fully implemented on 1st July, 1959 when the CBN came into

[39] M.L. Jhingan, *Monetary Economics,* Delhi, Vrinda Publications, 2001, p. 99.

full operation with an initial capital of £1.25 million fully owned by the Federal Government of Nigeria.[40]

The mandates of the CBN were derived from the Act that sets it up. The initial one was the 1958 Act of Parliament which was severally amended before it was replaced by the CBN Decree No. 24 of 1991 (as amended in 1993, 1997, 1998 and 1999). The decree, (now an Act of the National Assembly of the Federal Republic of Nigeria) makes provision for the continuance of the CBN with a Board of Directors consisting of the Governor, four deputy governors and five non- executive directors. It charges the Bank with the overall control and administration of the monetary and financial sector policies of the Federal Government, both within and outside Nigeria.[41]

According to CBN Act of 1958 the mandates of the apex bank include:

(i) Ensuring monetary and price stability.

(ii) Issuing legal tender currency in Nigeria

(iii) Maintaining external reserve so as to safeguard the international value of the legal tender currency.

(iv) Acting as banker and provide economic and financial advice to the Federal Government.[42]

It is important here to have a good understanding of what these mandates are, so that we can appreciate the role of the CBN in promoting economic development. The first mandate gives the CBN the responsibility of maintaining stable prices or low inflation in the economy. This enables economic agents to have value for their money overtime. The

[40]See Central Bank of Nigeria (CBN) Briefs, 2006-2007 Edition, Published by Research and Statistic Department of the CBN, pp. 1-2. See also, E.C. Ndekwu, *First Bank of Nigeria: A Century of Banking*, Ibadan, Spectrum Books Limited, p. 77.

[41]Central Bank of Nigeria (CBN) Briefs, *Ibid*, p. 2.

[42]C.N. Anyanwu, "The Role of Monetary Policy in Achieving Nigeria's Vision 2020 Agenda", A Paper Presented at the Retraining of Middle Level Civil Servants at NIPSS Kuru, near Jos, Plateau State, 27th July-3rd August, 2008, p. 14. The presenter of this paper was a Deputy Director, Research Department, Central Bank of Nigeria, Abuja, as at the time he presented the paper.

second mandate is to ensure the CBN issues note and coins which serve as legal tender for the promotion of trade and exchange. The third mandate is to ensure that the Naira exchange rate is stable, while the fourth gives the CBN the power to protect the citizen by ensuring that the banks are safe and sound. The CBN offers banking services to the Federal Government and from time to time offers her policy advice in order to ensure a stable economy.[43]

The CBN Act of 1958, therefore, provided the legal framework for the establishment of the CBN on July 1, 1959. Mr. Roy Pentelow Fenton was seconded from the Bank of England to serve as the first Governor of the CBN. He served for five years, from 1958-1963. The apex bank has so far, had a total of eleven Governors, having Mr. Roy Pentelow Fenton been the first. The first two indigenous Governors of the Bank were: Alhaji Aliyu Mai-Bornu (1963-1967) and Dr. Clement Nyong Isong (1967-1975). It is the pictures of these two past Governors of the CBN that are on the Nigeria's ₦1,000 (one thousand Naira) note. Others are: Malam Adamu Ciroma (1975-1977), Mr. O.O. Vincent, OFR (1977-1982), Alhaji AbdulKadir Ahmed (1982-1993), Dr. Paul Ogwuma, OFR (1993-1999), Chief (Dr.) J.O. Sanusi, CON (1999-2004), Prof. Chukwuma C. Soludo, CFR (2004-2009), Malam Sanusi Lamido Sanusi (2009-2014) and Mr. Godwin Emefiele (2014-date).[44]

In furtherance of its principal object of issuance of legal tender currency in Nigeria as contained in section 2 (a) of the CBN Act, adequate legal provision was made in part IV of the CBN Act as amended under sections 15-26 for the CBN to oversee currency

[43]*Ibid.*
[44]See "Fifty Years of Central Banking in Nigeria", A Golden Jubilee Publication of the CBN, pp. 17-18. See also "CBN Governors: Their Career and Schools they Attended", available online at the official website of the CBN: http://www.cenbank.org/museum/Governors.htm

management in Nigeria.[45] Specifically, section 17 of the CBN Act which confers on the Bank the sole right of issuing notes and coins throughout the federation provides that:

> The bank shall have sole right of issuing currency notes and coins throughout Nigeria neither the Federal Government nor any State Government nor any Local Government nor any other person or authority shall issue currency notes, bank notes or coins or any document or tokens payable to bearers on demand being documents or tokens which are likely to pass as legal tender.[46]

Section 18 of the CBN Act further provides that:

> The Bank shall- (a) arrange for the printing of currency notes and the minting of coins; (b) issue, re-issue and exchange currency notes and coins at the Bank's offices and at such agencies as it may, from time to time, establish or appoint; (c) arrange for the safe custody of un-issued stocks of currency notes and for the preparation, safe custody and destruction of plates and paper for the printing of currency notes and disc for the minting of coins;(d) arrange for the destruction of currency notes and coins withdrawn from circulation under the provisions of section 20 (3) of this Act or otherwise found by the Bank to be unfit for use.[47]

4.4.1 Currency Design

Currency design is another important constituent of currency management in Nigeria and it is taken care of by section 19 (1) (b) of the CBN Act which provides: "currency notes and coins issued by the Bank shall be- of such forms and designs and bear such devices as shall be approved by the President on the recommendation of the Board."[48] This means that the Board of the CBN is empowered by this provision of the law, to make recommendations to the President of the country for his approval, as regards the design of currency notes and coins.

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[45]Currency management entails all the processes carried out in the issue of bank notes and coins to currency distribution and sorting for disposal purposes. See S. Usman, "Trends in Currency Management and Nigeria's Experience"

[46] B. Ike, "Legal Framework for Currency Management (I)", *New Nigerian Newspaper*, Friday, December 22, 2006, p. 21.

[47] *Ibid.*

[48] *Ibid.*

The CBN therefore, has the sole right to issue the legal tender currency (bank notes and coins) in the country and to manage the currency in a manner that will ensure the economic growth and development of the country by ensuring the availability of bank notes and coins; ensuring the quality of bank notes and coins in circulation; ensuring that the quantity of bank notes and coins in circulation is in consonance with the level of economic activity, in order not to generate inflationary pressure on the economy; managing public awareness of the security features of the bank notes at every possible opportunity, in order to thwart the activities of counterfeiters; and managing the public confidence and pride in the legal tender currency. [49]

4.4.2 Structure of the Apex Bank

In terms of structure, the highest decision making organ of the Bank is the Board, which is headed by the Governor, while the decisions of the Board are implemented through the directorates, each headed by a Deputy Governor. The directorates are: Operations, Corporate Services, Financial Sector Surveillance and Economic Policy. Under Operations are the departments of Banking Operations, Currency and Branch Operations, Finance and Foreign Operations. Under Corporate Services are Procurement and Support Services Department, Human Resources Department and Information Technology Department. Under the Financial Sector Surveillance Directorate are Banking Supervision, Development Finance and Other Financial Institutions Departments. Under Economic Policy are Monetary Policy, Research, Statistics, Trade and Exchange Departments. In addition, there is also the Corporate Secretariat, Strategy and Performance, Internal Audit and the Governor's Office.[50]

[49] S. Usman, "Trends in Currency Management…", *op.cit,*

[50]Interview with Aliyu Jibrin Yelwa (Sardaunan Yauri & former CBN Director of Currency Operations), 80 years, on Tuesday 7th October, 2014; "Fifty Years of Central Banking in Nigeria…, *op.cit,* p. 20.

The late Prime Minister of Nigeria, Sir Abubakar Tafawa Balewa, had earlier, on July 30, 1958, inaugurated the first CBN Board. The Board was made up of seven persons: Mr. Roy Pentelow Fenton (Governor), and six Non-Executive Directors, namely: Malam Yakubu Wanka, Chief J.A. Obahor, Mr. R.O. Nzimiro, Chief F.O. Awoshika and L.N. Namme.[51]

Thus, as part of the preparation to prepare Nigeria for political independence in 1960, moves were equally made to position the country for economic independence and stability. One of those moves was the establishment of the CBN, the bank of issue in 1959, and the introduction of new currencies for the country. On the first date of its establishment, 1st July 1959, the apex bank issued the first indigenous Nigerian currency notes in the denominations of £5 (five pound, blue/purple in colour, called *fam biyar* in Hausa), £1 (one pound, red in colour, called *fam daya* in Hausa), 10s (ten shillings, green in colour, called *sulai goma* in Hausa) and 5s (five shillings, purple in colour, called *sulai biyar* in Hausa). The independent currency coins were in the denominations of 2s (2 shillings, called *dala* in Hausa), 1s (one shilling called *sulai* or *sulai daya* in Hausa, it was made up of 12 pence), 6d (six pence called *sisi* in Hausa), 3d (three pence called *taro* in Hausa), 1d (one penny called *kwabo* in Hausa) and 1/2d (half pence called *dari* or *sisin kwabo* in Hausa).[52] See appendix V for sample of 1959 currency notes and coins.

Distribution of the new currency had earlier started in June 1959 through the established currency centres of the WACB, banks and the local treasuries throughout the

[51]"Fifty Years of Central Banking in Nigeria…, *Ibid,* p. 17.

[52]D.O. Chukwu, "Trends and Changes in the Nigerian Currency...", op.cit, p. 93. The Hausa equivalent names were given to me by Malam Ilyasu Abubakar Gidan Kaya (seller of old currencies) at Kofar Gabas (Sokoto Central Market), 81 years, on Saturday 28th September, 2013. The information was equally confirmed by my other informants particularly the elderly ones in the study area who include Malam Ahmadu Koko, 85 years, interviewed at Masallacin Gidan Wali, on Sunday 29th June, 2014; Malam Abubakar Gama, 87 years, interviewed at his residence in Augie, on Wednesday 1st October, 2014. The Hausa people refer to 'pence' or 'penny' as *kwabo*. See G.B. Bargery, *A Hausa-English Dictionary and English-Hausa Vocabulary*, London, Oxford University Press, 1934, p. 644. See also, pp. 199, 232-233, 296, 949 and 956 of the G.B. Bargery, *A Hausa-English Dictionary...*, for the other Hausa terms for currency.

country. By July, 1959 a total of £16.250 million notes were in circulation and by December, 1959 £54.450 million new CBN currency as against £21.3 million of the WACB currency, were in circulation. The CBN finally, completed replacement of the WACB currency with its issued currency by the end of December, 1962. On this date, the WACB effectively ended its operation in Nigeria after fifty years.[53]

The new notes and coins bore the name "Federation of Nigeria" written on their front for the first time.[54] Following the issuance of the new Nigerian currencies, the WACB notes and coins that had hitherto circulated in the country began the process of withdrawal as legal tender from the Nigerian economy. The changeover was, however, completed in December 1962. It is reported that as at the time of complete of the changeover in December 1962, a total of £65 million notes and coins of the WACB was redeemed and its equivalent in sterling paid at par by the WACB to the CBN.[55]

From the foregoing, one may agree with Shea, that the Central Bank System did not begin fully in Nigeria in 1959 and the real change came gradually. In the first place, the first Governor of the CBN who was appointed by the British continued in office until 1963 and without a change in policy there can be no new system. Secondly, the new set of currencies issued by the CBN in 1959 (including up to one billion new coins) were manufactured at the Royal Mint in London, where the colonial currencies had hitherto been manufactured. Lastly, the first indigenous Governor of the CBN, Alhaji Aliyu Mai-Bornu, was from a prominent Yola family, and his appointment perhaps reflected the dominance of the Northern People Congress (NPC) in the Central Government in 1963 when Nigeria was on the verge of becoming a republic. Until 1962/63 therefore, as far as

[53] E.C. Ndekwu, First Bank of Nigeria..., p. 77.
[54]The pictures and designs of the currencies issued by the Central Bank of Nigeria in 1959 are shown in the CBN Golden Jubilee (1959-2009) Publication, p. 13.
[55] D.O. Chukwu, "Trends and Changes in the Nigerian Currency System…, *op.cit*, p. 93.

currencies were concerned in Nigeria, one is talking about "old wine in a new bottle"[56], i.e. the currencies were patterned along the British system.

However, in a bid to discharge its mandates the CBN has since its creation in 1959 been the sole issuer of legal tender currency in Nigeria. It also regulates the volume of money supply in the economy of the country in order to ensure monetary and price stability. The Currency & Branch Operations Department of the apex bank is equally responsible for currency management, through the procurement, distribution, supply, processing, reissue, disposal, disintegration of banknotes and coins.[57] The Naira notes and coins being issued by the CBN are presently printed and minted respectively by the Nigerian Security Printing and Minting Company (NSPMC) and other overseas printing and minting companies. At the currency printing works of the NSPMC Plc, quality is meticulously controlled throughout every process of currency production. This guarantees that every note issued meets the required standard. The CBN maintains an office called Mint Inspectorate in the premises of the NSPM Plc to maintain security and quality of Naira notes and coins. Currency is issued to deposit money banks through the branches of the CBN, and old notes retrieved through the same channel. Currency deposited in the CBN by the banks are processed and sorted to fit and unfit notes in line with the clean note policy. The clean notes are re-issued while the dirty notes are destroyed.[58]

At this juncture, it is important to note that the establishment of central bank system in the British West African countries namely Gambia, Ghana, Nigeria and Sierra Leone had replaced the single currency board system (the WACB), with separate and independent systems in each of the four countries. But in assuming the most important

[56] P.J. Shea, "Making Money in Northern Nigeria…", *op.cit*, p. 295.
[57]H.W. Ord and I. Livingstone, *An Introduction to West African Economics*, London, Heinemann Educational Books Ltd, 1969, p. 304.
[58]Malam Ibrahim Sadiq Garba, (Manager, Legal Services of the NSPMC), 52 years, interviewed at his office in Abuja on Friday 26th December, 2014. This information is also available online at http://www.cbn.gov.ng/# (the official website of the CBN)

functions of any central bank, the new West African institutions had to take over and develop the existing responsibilities of the WACB and commercial banks. The first task was to issue new national currencies in exchange for the old West African notes and coins. Sterling assets were obtained, (pound for pound, from the Currency Board because the latter's currency liabilities were now assumed by local currency authorities), the central banks. In addition, a share of the sterling reserves in excess of the 100% currency cover was also allocated on the basis of the West African currency in circulation in each country. Initially, the new national currencies were also backed 100% by sterling; later a fiduciary element was introduced, while part of the external asset cover remaining included gold and other convertible foreign exchange as well as sterling.[59]

Associated with the transfer of currency liabilities and sterling assets was the question of the exchange rate. The new currencies were given a fixed rate of exchange which was registered with the International Monetary Fund, and made equivalent to the former parity with the pound (£) sterling. The exchange reserves controlled by the central banks now supported these exchange rates. Other official exchange reserves were also gradually centralized within the central banks' control, namely the foreign balances and securities of governments and marketing boards, as well as some of the commercial banks' balances with banks abroad. In assuming this responsibility for overseas banking transactions, the central banks gradually succeeded overseas head offices as bankers to the commercial banks operating in West Africa. The central banks have also become bankers to governments and other public bodies, although one or more commercial banks may still be used as agents in certain areas. Government deposits are therefore held partly with the central banks and partly with commercial banks; both supply credit to the public sector in

[59] H.W. Ord and I. Livingstone, An Introduction to West African Economics..., *op.cit,* p. 299.

the form of short-term advances or as the counterpart of investments in government securities and treasury bills.[60]

The central banks have also accepted a growing responsibility for control of their countries' domestic monetary system, using those tools of monetary policy which are more relevant to local circumstances. However, since the range of financial institutions is still rather limited, the new monetary authorities in West Africa have to generally place more reliance on selective credit controls and directives than an 'open market operations' and bank rate. Nevertheless, some attempts have been made to develop financial institutions and instruments of monetary control as the local monetary systems have now been evolved in each of the British West African countries.[61]

4.5 Conclusion

As a result of the Second World War which ended in 1945, the Nigeria's colonial overlords, the British intensified their colonial exploitation. The impact of the war on the British economy necessitated the intensification of the colonial exploitation. The aftermath of the war also witnessed increased political and economic activities in the late 1940s and throughout the 1950s especially in the colonial territories like Nigeria. Successive constitutions legislated by the British government during the period thus, moved Nigeria toward self-government on a representative and increasingly federal basis. This was in response to the growth of Nigerian nationalism and demands for independence. By the

[60] *Ibid*, pp. 299-300. Treasury Bills are Federal Government short-term debt instruments, usually issued for up to 91 days. They are discountable instruments, which mean you earn interest up-front. These are presently the most secure instruments in the market as they are rediscountable with the CBN, at any point in time through any authorized dealer (banks and discount houses). Thus liquidity is guaranteed with minimum risk to the purchaser that chooses to sell. See O.O. Akaji, "The Central Bank of Nigeria, the Liquidity and the Sectoral Credit Allocation", *Bullion: Publication of the Central Bank of Nigeria*, Vol. 34, No. 1, January-March, 2010, p. 4.

[61] H.W. Ord and I. Livingstone, An Introduction to West African Economics…, *op.cit*, p. 300.

middle of the 20th century, the great wave for independence was sweeping across Africa and Nigeria became independent in 1960.

On the economic scene, the chapter strengthened a contention that up to 1962, virtually all the money that existed in Nigeria was the residual of surplus agricultural exports, minus imported goods. Similarly, the establishment of commodity Marketing Boards and other development plans put in place by the British colonial administration in Nigeria after the end of the Second World War promoted the formation of regionally based economic development institutions in the country. The economic developments coupled with the political developments in the colonial territories like Nigeria during the 1950s, necessitated introduction of additional currency notes of relatively higher denominations. All these developments show that Nigerians were able to operate remarkably well even in the most difficult economic situations so that they began to take over the reins of such a degree of their national economy as early as 1954 when the control of the Marketing Boards became subordinated to the designs of the various political groups.

In 1959 the CBN was established as a bank of issuing the country's currencies in place of the WACB. But as we shall see in the next chapter, even after independence in 1960 the Nigerian currencies like most of its structures and sectors, were still patterned after the British.

CHAPTER FIVE

SOCIO-ECONOMIC AND POLITICAL DEVELOPMENTS IN NIGERIA AND THEIR EFFECTS ON THE COUNTRY'S CURRENCY IN THE PROVINCE, 1960-1985

5.1 Introduction

This chapter discusses the main socio-economic and political developments in the Nigerian history from 1960 to 1985 and how they affected the country's currency in Sokoto Province with regards to change of policies, reforms, value, as well as change of the currencies themselves. During the period under review, the major events that affected the Nigerian economy in general and its currency in particular, included: attainment of independence on 1st October, 1960 and republican status in 1963, establishment of the country's own security printing and minting company, the civil war (1967-1970), decimalization of currency in 1973, oil boom which began in 1973 and worldwide economic crisis that affected developing countries during the late 1970's and early 1980's. All these developments brought various seeds and stages of transformation into both national and regional platform. It is the concern of this chapter to highlight the effects of these developments on the Nigerian currency system in the former Sokoto Province.

5.2 Nigerian Currency at Independence: the Nigerian Pound, Shilling and Pence (£.S.D)

As Nigeria approached the date of political independence in 1960, moves were made to position the country for economic independence and stability. However, due to colonial hangover and subsequent neo-colonial syndrome, even after attaining political independence on 1st October, 1960, the country retained the names of its colonial overlord currency units: the pound, shilling and pence, until in 1973 when they were changed to Naira and kobo. Parts of preparation for the independence were establishment of a bank of

issue (the CBN), and introduction of new currencies for the country. As discussed in the last chapter the CBN, which came into being on 1st of July 1959 had on that same day issued the first set of Nigerian independent currency notes and coins.

To facilitate public acceptance of the new national currencies, intensive advertisement campaigns were mounted to familiarize the public with the impending changes and effective date of their acceptability. Posters displaying specimens of the new notes were mounted. Reproductions of coins with information on the new money were distributed to the public. It was in connection to this that Resident of the former Sokoto Province received a memo titled 'Currency Posters' dated 22nd June 1959, from the Acting Chief Information Officer, Ministry of Internal affairs, Northern Region, Kaduna, stating that:

> A number of posters in English and Hausa demonstrating the new currency are being despatched to you immediately. They should be distributed to banks, post offices and railway stations, and also, through N.A's, to market places, district headquarters etc. I am sorry to burden you with this but the distribution of the posters seems to be essentially a matter of local knowledge and experience. Since the date for the introduction of the new currency is 1st July, I shall be grateful if you can get them out fairly rapidly.[1]

The packets of currency posters numbering 93, were directed to be further distributed by the Resident among Divisions in Sokoto Province as follows:

[1] WJHCB/FIN/110/9/54/374, Currency Notes and Coins Matters, p. 127.

Table 5.1: Packets of Posters of the Nigerian Currency introduced in 1959 for Distribution in Sokoto Province

S/No.	Division	Packets of Posters Obtained
1.	Sokoto	35
2.	Argungu	14
3.	Gusau	17
4.	Yauri	8
5.	Gwandu	19
	Total	93

Source: WJHCB/FIN/110/9/54/374, Currency Notes and Coins Matters, p. 127.

After the issuance of the new Nigerian currency by the CBN, the WACB notes and coins that had hitherto circulated in the country began the process of withdrawals as legal tender from the Nigerian economy.[2] This systematic withdrawal was preceded by a circular titled "Withdrawals of West African Currency Board Currency", which was sent to Divisional Officer, Argungu Division via Resident of Sokoto Province by the Permanent Secretary, Ministry of Finance, Kaduna and it reads:

> I am directed to invite your attention to the notices which have been published in the press regarding the withdrawal of the notes and coins issued by the West African Currency Board. Legal tender status has been withdrawn from these notes and coins as from 1st July, 1962. This means that they are no longer acceptable in shops and markets. The Federal Government has however allowed a period of grace for the free exchange of notes and coins. Banks will continue to exchange the old notes for Nigerian money without charge up to Saturday 29th September, 1962, and coin may also be exchanged without charge up to 31st December, 1962. After these dates, the old currency will be treated as foreign, i.e. it will not become valueless, but anyone wishing to exchange it for Nigerian money will have to pay a small commission to the bank concerned.[3]

By the end of 1959, about £46 million Nigerian currency notes had been issued and all but £1.5 million of the West African currency had been withdrawn from circulation as at March 1960 and on July 1, 1962, the currencies issued by the WACB ceased to be a

[2] D.O. Chukwu, "Trends and Changes in the Nigerian Currency System, Colonial period- 2008", *Studies of Tribes and Tribals,* Vol. 8, No. 2, 2010, p. 93.
[3] WHCB- No.F.203/150, "Withdrawal of West African Currency Board Currency", dated 28th July, 1962, p. 30.

legal tender in Nigeria.[4] The expiration date for free changing of the old coins with the new ones was however, later further extended to 31st March, 1963. A circular to this effect was sent by the Permanent Secretary, Ministry for Local Government, Northern Nigeria, Kaduna, to all Provincial Secretaries and it reads:

> With regard to the changing of the 'old' West African Currency Board Coinage, I am to inform you that arrangements have been made with the Central Bank of Nigeria for an extension of the period until 31st March, 1963, during which the 'old' coinage may be changed without payment of a commission of 2d in the 1s...[5]

It was in response to the above circular that the Provincial Secretary, Sokoto Province wrote to the Sokoto, Gwandu, Argungu and Yauri N.A.s through their D.O.s informing them that:

> You should take all possible steps to continue collecting and exchanging old coinage without charging commission. Where banks refuse nadmins (Native Administrations) deposits of old currency except on deduction of commission you should hold coinage in your strong rooms.[6]

Similarly, in 1962 the then Federal Minister of Finance, Chief Festus Okotie Eboh, had in a speech at the Federal Parliament in Lagos, announced the setting up of a committee called "Decimal Currency Committee". It was made up of representatives of the CBN, the Federal Ministry of Commerce and Industry (as it was then called), the Federal Ministry of Education, the Federal Ministry Economic Development, and the Federal Ministry of Finance. The Committee was charged with the task of working out a truly indigenous national currency for Nigeria.[7] He further announced the terms of reference of the committee as follows:

> to brainstorm on the possibility and the desirability of an indigenous national currency for Nigeria, taking into consideration the nation's

[4] A.Y. Bello, "How Nigeria's Currency Evolved", *Weekly Trust Newspapers*, March 10-16, 2007, p. 49.
[5] WJHCB/FIN/110/9/54/374, Currency Notes and Coins Matters- Circular Reference No. MLG/490/69, dated 16th January, 1963.
[6]WJHCB/FIN/110/9/54/374, Currency Notes and Coins Matters- Circular Reference No. AUD.1//T.1/4/Sokoto, dated 22nd January, 1963.
[7] WHCB- Zur/Dev/18/1/70/685, "Decimalization of the Nigerian Currency", p. 11.

> diverse cultural and linguistic differences; to consider the advantages and disadvantages of the British currency being used as Nigeria's national currency and the likely consequences of embarking on a local national currency and to take into account the cost of the exercise and advise government on the timing of the new currency as well as how to phase out the British currency system, so that it would reduce the expenses of minting the proposed new national currency.[8]

The Committee started its work by inviting scholars particularly economists, from the universities, the federal civil service and banking sectors to offer useful suggestions. It worked for 25 months and in July 1964, it submitted its report to the Federal Minister of Finance. Thereafter, the Federal Executive Council was to sit and deliberate on the Committee's report. But that did not take place, as few months later, political violence erupted following alleged electoral malpractices in the then western region. Consequent upon this (political violence), the civilian administration of the country during the First Republic was toppled by the military in January 1966. With these developments, the country's ambition to introduce indigenous national currency was halted.[9]

5.3 Attainment of Republican Status and change of the Nigerian currency

While the committee on indigenous national currency was carrying out its duties, in 1963 when Nigeria attained a republican status, a political decision was taken to replace the existing currency notes. To this end, a decision to distribute all the stocks of the new notes to branches of the CBN in Kano and Port Harcourt as well as other sub centres, was taken in June 1964 and implementation began on July 1, 1965. The difference between the existing currency notes and the new ones introduced in 1965 being that the name "republic" was added to "Federation of Nigeria" written on front view of the existing notes and it read "Federal Republic of Nigeria", (see appendix VI). It was with a view to informing authorities in the former Sokoto Province in particular and entire northern

[8] M. Fayemiwo, "Emergence of Nigeria's Currency", *Headlines Newspaper*, No. 219, July 1991, p. 14.
[9] *Ibid.*

Nigeria in general about issuance of the 1965 currency notes; that Mr. Babalola Campos, who was at the time Acting Accountant-General, Ministry of Finance, Northern Nigeria, Kaduna sent a circular to all Native Treasurers and Sub-local Treasures in the region stating that:

> As recently announced on Radio, the Nigerian Dailies and the Nigerian Citizen, with effect from 1st July, 1965 new currency notes of the Federal Republic of Nigeria will be issued. The new issue will consist of the same denominations as the old currency notes: £5, £1, 10s and 5s although the design is clearly varied. The new notes will be exchanged free of charge for the existing notes and it should be emphasised that the old notes are still legal tender and have the same value as the old ones. When making deposits to bank, old and new currency notes should be sorted separately by denominations and made up in wrappers of £250 for £5 notes, £50 for £1 and 10s notes and £25 for 5s notes as the case may be...[10]

At the end of the exchange exercise in the whole Nigeria in June 1966, a total of £68.5 million of the old currency notes were redeemed. Although, there was no change in the denominational value of the currency, the new currency outfits showed some changes in colours. However, the old and new currencies still bore pictures of Nigeria's main export commodities – cocoa, groundnuts and palm produce.[11]

5.4 The Nigerian Security Printing and Minting Company (NSPMC)

The idea of establishing a security printing factory to produce stamps and security documents in Nigeria was first raised around 1957 and then 1958 when Chief K.O. Mbadiwe, the then Federal Minister of Communication, expressed very keen interest. The idea was not however seen as viable at the time and therefore was not considered further. But having attained independence in 1960, it became obvious that Nigeria needed to be self-sufficient in a number of areas. This was simply because by that time, petroleum aside, Nigeria had sufficient wealth to justify the printing of its currency locally. By 1961,

[10]. WJHCB/FIN/110/9/54/374, Currency Notes and Coins Matters- Circular Reference No. B14/1965, dated 29th June, 1965.
[11]. D.O. Chukwu, "Trends and Changes in the Nigerian Currency...", *op.cit*, pp. 93-94.

it had become more imperative to create the Security Printing Company. This is so because in addition to stamps and security documents, currency was identified as a key product of the company.[12]

In 1963 the news of Nigeria's proposal to establish its Security Printing Company reached De La Rue Company Limited of the United Kingdom, which had been in currency printing and security document business for about 150 years. By that time, De La Rue had recorded substantial partnership experience in the business in Burma and particularly in Pakistan when the country became independent in 1948. Therefore, the successful co-operation with a young independent country (Pakistan) and its own cumulative expertise experience provided the impetus to the U.K. Banknote Printers to offer their services to the Federal Government of Nigeria (FGN). Mr. I.P. Knops, a versatile and experienced Engineer took up the negotiation with the FGN on behalf of De La Rue.[13]

Consequently, the NSPMC was established in 1963 as a private limited liability company with the assistance of Thomas De La Rue & Company of the United Kingdom. It became the first security printing and minting company established in black Africa. The foundation stone of the NSPMC's factory was laid by the First President of Nigeria, Dr. Nnamdi Azikiwe on 14th April, 1964. At the ceremony, the then Minister of Finance, Chief Festus Okotie Eboh declared, thus:

> This is a memorable occasion of which all Nigerians should be justly proud. We are laying the foundation stone of an organisation which will be second to none in Africa. I take deep personal interest in the project because it is the first of its kind to be established in an independent African country.[14]

The company was set up with the primary objective of meeting "the supply to government and various ministries of the government and the CBN of all security

[12]. See 25 Years of Currency and Security Printing: A Silver Jubilee Publication of the Nigerian Security Printing and Minting Company, Lagos, 1988, p. 11.
[13] *Ibid.*
[14] *Ibid*, p. 13.

materials including (but not limited to) banknotes, coins, postage stamps, postal and money orders, as well as other security printing requirements."[15] Having met its obligation to the government and its agencies, the company could then, if it has surplus capacity, undertake security printing jobs for the rest of the economy and even for exportation. The printing of bank notes and minting of coins in Nigeria therefore, is currently undertaken by the NSPMC Ltd. But where the company cannot meet the demand, overseas printers- De La Rue Currency of Britain and Giesecke & Devrient (G&D) of Germany are requested to print the shortfall. The orders for such printing are usually made through the NSPMC.[16] The CBN has however, been emphatic on the physical security and production of high quality banknotes and coins printed by the NSPMC.[17]

It can therefore, be deduced from the foregoing that from 1963 when the NSPMC was established to date, the currency notes and coins issued by the CBN in the former Sokoto Province have been largely printed and minted respectively, by the company since it responsible for carrying out the same work for the entire country.[18]

At the inception in 1963, the company's ownership was as follows:

Table 5.2: Ownership of Nigerian Security Printing and Minting Company by percentage prior to indigenisation policy of 1972

S/No.	Ownership	Percentage
1.	Ministry of Finance	55%
2.	Thomas De La Rue & Company	40%
3.	Central Bank of Nigeria	5%
	Total	100%

Source: 25 Years of Currency and Security Printing: A Silver Jubilee Publication of the Nigerian Security Printing and Minting Company, Lagos, 1988, p. 13.

[15].*Ibid*, p. 11.
[16] Malam Ibrahim Sadiq Garba, (Manager, Legal Services of the NSPMC), 52 years, interviewed at his office in Abuja on Friday 26th December, 2014.
[17] B. Ike, "Legal Framework for Currency Management...", *op.cit, p.* 21.
[18] Malam Ibrahim Sadiq Garba..., *op.cit*

However, following requirements of the Nigerian Enterprise Promotion Decree (often) referred to as the "Indigenisation Decree" of 1972,[19] the share ownership of the NSPMC was changed to its present structure as presented below:

Table 5.3: Ownership of Nigerian Security Printing and Minting Company by percentage after the indigenisation policy of 1972

S/No	Ownership	Percentage
1.	Ministry of Finance	55%
2.	Central Bank of Nigeria	20%
3.	Thomas De La Rue & Company	25%
	Total	100%

Source: 25 Years of Currency and Security Printing: A Silver Jubilee Publication of the Nigerian Security Printing and Minting Company, Lagos, 1988, p. 13.

The above table shows that consequent upon the Indigenization Decree, the share of the CBN was increased from 5% to 20%. Consequently, the share of Thomas De La Rue & Company was reduced from 40% to 25%.

The indigenization policy was carried out primarily to ensure greater participation by Nigerian nationals in the ownership, management and control of the productive enterprise in the country. In essence, the Nigerian Government in June 1971 outlined the primary objectives of the indigenization policy as follows:

(i) To create opportunities for the Nigeria's indigenous businessmen.

(ii) To maximise local retention of profit; and

(iii) To raise the level of intermediate capital goods production.[20]

[19] S.A.C. Ogbuagu, "The Nigeria Indigenization Policy: Nationalism or Pragmatism? ", *African Affairs*, Vol. 82, Issue 327, 1983, p. 241.

[20] *Ibid*. See also, V.I. Bello, "The Intension, Implementation, Process and Problems of the Nigerian Enterprises Promotion Decree (No.4) 1972", *Nigeria's Indigenization Policy*, p.7. This author (Bello) was the Secretary of the Nigerian Enterprises Decree Promotion Board, Lagos.

5.5 Effect of the Nigerian Civil War on the Country's Currency in the former Sokoto Province

The Nigerian civil war, otherwise called the "Biafran War" was fought from 2 July 1967 to 15 January 1970. The war was between the Eastern Region of Nigeria and the rest of the country. The Eastern Region declared itself an independent state which was regarded as an act of secession by the Federal Military Government of Nigeria. The remote cause of the civil war itself may be identified as the coup and the counter coup of 1966 which altered the political equation and destroyed the fragile trust existing among the Nigeria's major ethnic groups.[21] As a means of holding the country together in the last result, the country was divided into twelve states from the original four regions in May 1967 following promulgation of the Decree No. 8 of 1967.[22] The former Eastern Region under Lt. Col. Odumegu Ojukwu saw the act of the creation of states by decree without wider consultation as "the last straw that draw the camel back", and declared the Region an independent state of "Biafra". The Federal Government in Lagos saw this as an act of secession and illegal. Several meetings were held to resolve the issue peacefully without success. To avoid disintegration of the country, the central government was left with only one option of bringing back the Region to the main fold by force. The war, was therefore, fought to re-unite the country.[23]

At the outbreak of the civil war in Nigeria on July 6, 1967, apart from lack of adequate military preparedness on the part of Federal Government of Nigeria, the finances of the Federation were neither mobilized nor deployed on proper war footing, let alone for the long protracted and expensive military campaign the Federal Government had to

[21] A.A. Atofarati, "The Nigerian Civil War, Causes, Strategies, And Lessons Learnt", a Paper on Presented during the US Marine Command & Staff College(Academic Year 1991/92), p. 3.
[22] The states were: North-Western State, North-Central State, Kano State, North-Eastern State, Benue/Plateau State, Lagos State, Western State, Mid-Western State, East-Central State, South-Eastern State and Rivers State.
[23] U. Faruk, *The Victors and the Vanquished of the Nigerian Civil War, 1967-1970,* Zaria, Ahmadu Bello University Press Limited, 2011, pp. 134135.

conduct. In actual fact, the finances of the country were at that point in time differently oriented. For instance, the 1962/68 National Development Plan was running its last stage; while the guideline for the second National Development Plan had been formulated, accepted and published. So, when the reality of the situation finally dawned upon the Federal Military Government of Nigeria, it became imperative to change course drastically and deploy the country's resources which for the five preceding years had been organised and directed for development purposes, to the unproductive and unpredictable prosecution of the war.[24]

Altogether, the Nigerian civil war saw three budgets. The first one was introduced on 19th October, 1967, and the other two were for 1968/69 and 1969/70. The same fundamental objectives and the same basic principles governed and underlay the three budgets; and the differences between them consisted only in the fiscal and monetary measures which, from year to year, were considered necessary for effectively carrying out the declared objectives and principles. The two fundamental objectives to which the Federal Government of Nigeria committed itself from the beginning of the civil war were: to win the war and to win peace that will follow. The financial resources of the country were therefore to be mobilized and deployed for the accomplishment of both the objectives. Consequently, during the first year of the war precisely in 1967, the FGN spent up to £33.5 million to provide armaments, food, uniforms, transportation, and other necessities of the war. In the second and third years, 1968 and 1969 respectively up to the end of January 1970, the FGN spent about £98 million and £170 million respectively, for the same purposes.[25]

[24] O. Awolowo, "The Financing of the Nigerian Civil War: Its Implications for the Future Economy of the Nation", Lecture delivered under the Joint Auspices of the Geographical Society & Federalist Society of Nigeria (both of the University of Ibadan), at Trenchard Hall, University of Ibadan, on 16th May, 1970, pp. 3-4.
[25] *Ibid*, pp. 4-5.

As a war strategy and to economically crush the Biafran rebellion Nigeria went through another currency exchange again in 1968. The country's currency notes were changed this time in colours- £5 (five pound) was changed from blue/purple to mid brown, £1 (one pound) from red to dark brown, 10s (ten shillings) from green to dark blue and 5s (five shillings) from purple to green, (see appendix VII). This change was in compliance with "the CBN Currency Conversion Decree No. 51 of December 30, 1967.[26] The currency conversion of 1968 in Nigeria was aimed at achieving the following objectives:

(i) Ensuring the success of the trade embargo placed by the then Military regime on the secessionists (Biafran) areas, and blocking spread and acceptance of the Biafran newly introduced currency in any part of the country.

(ii) Forestalling the use of unissued currency notes that were burgled from the CBN strong rooms in Enugu, Port Harcourt and Benin (the war-ravaged areas); and

(iii) Frustrating the flourishing illegal trafficking of the Nigerian currency which was then exported to some foreign countries.[27]

Outside the above financial rationale behind the change of currency, the general objectives of the civil war FGN economies can be summarized as follow:

(i) Forestalling the use of Biafran currency and economising the country's financial resources.

(ii) Raising additional revenue; and

(iii) Saving Nigeria's foreign exchange resources from being run down to a dangerous level, thereby avoiding balance of payment difficulties and preserving the strength of the Nigerian pound.[28]

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[26] A. Abdulrashid, "The Impact of New Naira Notes on the Nigerian Economy: A Preliminary Analysis", *Nigerian Forum*: *A Publication of the Nigerian Institute of International Affairs*, Vol. 22, No. 3-4, 2001, pp. 65-66.

[27] *Ibid*, p. 66.

[28] *Ibid*. See also, D.O. Chukwu, "Trends and Changes in the Nigerian Currency...", *op.cit*, p. 94.

Like in the case of other Nigerian territories Sokoto Province was also affected by the 1968 currency change. It was a circular from the Permanent Secretary, Ministry of Finance, Kaduna, that sent message of the 1968 currency change to all Military Governments, Provincial Secretaries, N.A.s and Sub-local Treasurers in northern Nigeria.[29] The circular reads:

> I invite attention to the information published by the Central Bank of Nigeria that all existing Nigerian currency notes are to be withdrawn and new notes issued. This step is being taken to safeguard the national currency, and it must be carried out with all speed. The cooperation of all Government and Native Authority officials and other organisations, both public and private, is essential.[30]

It further stressed the following points.

(i) That, the then £5, £1, 10s and 5s notes will cease to be valid after 22nd January, 1968 and person holding those notes should change them for new notes by that date.

(ii) That, the new notes would be exchanged for old notes at exactly the same value, and there would be no charge or discount of any kind involved in the exchange.

(iii) That, the existing coins were not affected and would remain in use.

(iv) That, persons who do not exchange old notes by 22nd January, that year would not be able to exchange them later and the notes would become valueless.[31]

As stated above, the circular was meant to reach N.A.s and Sub-local Treasurers in the entire northern Nigeria. After receiving the circular, the Provincial Secretary in-charge of Sokoto Province further sent the information to all N.A.s in the province who were directed to extend the same message to their district and village heads for prompt spread of

[29] WJHCB/FIN/79/9/54/374, Currency Notes and Coins Matters- Circular Reference No. F. 2032/280, dated 4th January, 1968.
[30] *Ibid.*
[31] *Ibid.*

the message.[32] Chairmen of the N.A.s in the then newly created North-western State, which former Sokoto Province formed substantial part of, who also happened to be emirs of their respective emirates, did not hesitate in carrying out the assignment as it required rapid response from them. For instance, barely a day after the message reached him, the Emir of Gwandu, Haruna Dan Basharu, wrote to all district heads in his emirate informing them about the 1968 currency change as well as urgent need for them to extend the same information to all nooks and crannies in their domains. The letter dated 5th January, 1968, written in Hausa was titled 'Sabbin Takardun Kurdi' (New Currency Notes); it was addressed to 'Uwayen Kasa' (District Heads) and reads:

> *Bayan gaisuwa, ina son ka tashi tsaye tare da hakimanka kuyi bayani kwarai ga jama'arku game da sake takardun kurdi da akayi. Tun daga 3/1/68 wadannan sabbin takardun kurdi sun soma aiki. Akwai takardar £5 akwai ta £1 akwai ta 10s akwai kuma ta 5s, sai dai launinsu ba irin na dauri bane. Duk mai tsoffin takardun kurdi sai nan da nan shi zo Banki don a canza masa. Wanda ya kasa canza kurdinsa har 22/1/68 wato nan da kwana 17, kurdinsa sun zama banza ke nan. Don haka ina son kuyi gargadi kwarai ga jama'a. Duk wanda ake zaton shi nada tsoffin takardun nan a karfafa masa shi zo shi sami canji. Kuma kai kayi bayani kwarai ga hakimanka, kuma ka tabbata cewa duk tsoffin takardun da hakimanka suka karba daga jama'a sun shigo hannunka kai kuma ka aiko da su banki kamin 22/1/68. Bayan wannan rana ta 22/1/68 kada wani hakimi shi karbi wata takardar kurdi wadda ba sabuwa ba, don ba'a bukatar tsoffin takardun kurdi bayan wannan lokaci ko ina cikin Nigeria. H/Wassalam*[33]

Translation

> Greetings, I urged you and all your village heads to sensitise your people about changing of new currency notes. As from 3/1/68 the new currency notes will be in circulation. They are in the denominations of £5, £1, 10s and 5s but they differ in colour from the old ones. Whoever is in possession of the old currency notes should quickly come to Bank for change. Anybody that refuses to change his money by 22/1/68 about 17 days to come would stand the risk of losing his money. In view of this I want you to sensitize your people more on the issue. Whoever is in possession of the old currency notes should be encouraged to change them. You should also discuss the matter in detail with your village heads

[32] WJHCB/FIN/79/X, Currency Notes Matters- Gwandu Native Authority Birnin Kebbi
[33] WJHCB/FIN/79/X/5/1/1968, Currency Notes Matters- Gwandu Native Authority Birnin Kebbi

> and make sure that all the old currency notes they collected have reach you and then you send them to bank before 22/1/68. After this date of 22/1/68 no village head should collect any form of old currency notes again as they would seize to be in use in any part of Nigeria. Good bye.[34]

To show utmost concern of government about the 1968 Nigerian currency change in our study area, the North-western State Military Government had after the exercise, determined to pay all expenses incurred by the N.A.s during the currency exchange. This was stated in a letter dated 16th February, 1968 signed by Abubakar Kigo, on behalf of Secretary to the Military Government, and sent to the Sokoto, Gwandu, Argungu and Yauri N.A.s through their D.O.s, which reads:

> I am directed to request you to submit statements of all direct expenses incurred in the exchange exercise. The statements should include details of all transport expenses, showing the type of vehicle used and mileage run, the ravelling and other expenses of staff employed in the exchange, the cost of publicising the exchange and any other expenses which may have been incurred. It is necessary for all claims to be submitted before 31st March, 1968.[35]

5.6 Decimalization of Nigerian Currency: The Naira and Kobo

"Decimal" is a system based upon the principle of counting in "tens" in the same manner as we do in our number system. "Decimalization" therefore, means applying this "tens" principle to money calculation thereby bringing the monetary system in line with the familiar system of counting in hundreds, tens and units.[36] According to Nwaoba, currency decimalization is a process of converting from a traditional currency denomination to a "decimal" system usually with two units differing by a factor of 100.[37] As stated earlier on page 131, the efforts to decimalize the Nigerian currency dates back to

[34] I am grateful to Malam Nazir Ibrahim Abbas, of the Department of Nigerian Languages, UDUS, for his suggestions in translating the letter.
[35] WJHCB/FIN/14/AUD/1/390, Currency Notes Matters
[36] O. Adeyemi, *The Nigerian Naira & Kobo Ready Reckoner*, Lagos, ICIC (Directory Publishers) Ltd, 1972, p. 9.
[37] P. Nwaoba, "The Political Economy of Currency Re-denomination by Countries", in *Bullion:* A Quarterly Publication of the Central Bank of Nigeria, Vol. 34, No. 4, October-December, 2010, p. 21. The author is an Assistant Director, Research Department, Central Bank of Nigeria, Abuja.

1962 when the Federal Minister of Finance appointed the Decimal Currency Committee to study and report on the desirability of a decimal currency system for the country. The Committee submitted its report which favoured decimalization in July 1964 but nothing was done to implement it as the country was overtaken by the political crisis in 1966 and subsequently the civil war in 1967.[38] However nine months after the end of the Nigerian Civil War, which came to an end in January 1970, the idea of introducing an indigenous national currency was brought again by the General Yakubu Gowon's administration. It was even, alleged that the regime merely dusted up the report of the Committee earlier set up by the Tafawa Balewa regime in 1962, but which could not see light of the day because of the military coup of January 15, 1966 that brought to an end the First Republic in Nigeria.[39] In a budget speech made by General Yakubu Gowon on 31st March 1971, he announced the plan of his administration to change the nation's currency with effect from January 1st, 1973. Two months thereafter, a decree called "the Decimal Currency Decree No. 21 of 1971", which provided legal backing to the announcement was promulgated.[40] The major provisions of the Decree included;

- The units of the new national currency shall be the Naira divided into minor units of 100 kobo.

- Every transaction, payments, savings or withdrawals valued in pounds, shillings and pence before the commencement of this decree and valued at the units; will revert to the new currency. Thus, all transactions, payments, savings or withdrawals shall henceforth be in Naira, where equivalent of pound shall be two Naira.

- All bank notes in Naira shall be legal tender immediately after the commencement of the provisions of this decree.[41]

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[38] O. Adeyemi, The Nigerian Naira & Kobo..., *op.cit*, p. 10.
[39] WHCB- Zur/Dev/18/1/70/685, "Decimalization of the Nigerian Currency"..., op.cit; Interview with Aliyu Jibrin Yelwa (Sardaunan Yauri & former CBN Director of Currency Operations), on Tuesday 7th October, 2014.
[40] M. Fayemiwo, "Emergence of Nigeria's Currency", *Headlines Newspapers*, No. 219 July, 1991, p. 14.
[41] S.I. Ikheide, "Financial Sector Reforms and Monetary Policy in Nigeria", IDS Working Paper 68, 1996, p. 19.

The Decimal Currency Decree further empowers the Federal Commissioner of Finance to without delay, set up the 'Decimal Currency Board', whose membership and methods of proceedings shall be determined by him. It was in compliance with the provisions of the decree that the then Federal Commissioner for Finance, late Chief Obafemi Awolowo, set up a 15-member board on 13th May, 1971 and charged the board with the following responsibilities:

(i) To inform and educate the public on the decimal change.

(ii) To coordinate all administrative arrangements forwards and ensure a smooth transition from the British currency system to the Naira and kobo system.

(iii) To advise the Federal Government, if the need arises, on the conversion of all machines belonging to the Nigeria Printing, Minting and Security Company Limited and the Central Bank of Nigeria on the new system including other technical aspects of the new currency system

(iv) To perform such other functions directed by the Federal Commissioner of Finance.[42]

Therefore, the task of informing and launching the currency, educating the public to the use of the new currency units and the new coins were one of the most important functions of the Board. The Board carried out this task by publishing descriptions, denominations, conversion tables and specimens of the new currency. These were freely distributed through banks, information centres and schools. The communications media were also used to keep the public informed on the impending changeover.

[42] M. Fayemiwo, "Emergence of Nigeria's Currency...", *op.cit.*

5.7 Decimal currency in the former Sokoto Province

It was consequent upon the establishment of the Decimal Currency Board by the Federal Commissioner for Finance and directive he gave to all Commissioners of Finance in the Federation to launch Decimal Currency Publicity Campaign in their respective states that the North-western State Commissioner for Finance, Alhaji Ibrahim Magajin Garin Argungu, officially launched the state campaign team on 26th May, 1972.[43] To achieve wider publicity of the decimal currency all over the state, Chairman of the State Decimal Currency Committee sought for support of relevant government MDAs in the state. In a letter dated 15th September, 1972 sent by the Chairman of the Committee to the Permanent Secretary, Ministry for Local Government and Community Development, the former requested the latter to write and inform Administrative Officers in charge of all the 23 Development Area Boards in the state through their Divisional Secretaries, about the decimal currency.[44] It was to that effect that a memo was sent by Alhaji Haruna Kamba, on behalf of the Permanent Secretary to all Chairmen, Development Areas in the state, which reads:

> I am directed to draw your attention to the Decimal Currency Publicity now being made throughout the Federation of Nigeria. I need not to emphasise the importance of this publicity to the whole people especially in the rural areas. In order to obtain maximum publicity, it is decided to establish a Decimal Publicity Sub-Committee in each of the 23 Development Areas of this state. I am therefore sending you a copy of the letter received from the Chairman North Western State Decimal Currency Publicity Committee, Sokoto, on the establishment and functions of these sub-committee. You are requested as a matter of urgency to nominate the sub-committee members and send me their names, then later I will let you know the date a Representative of the North Western State Committee Member will visit your Development Area to inaugurate the Sub-Committee.[45]

[43] WJHCB/1/70/685/, Zuru Dev/18- Decimalization of the Nigerian Currency, 1971-1973.
[44] WJHCB/S.140/SKT/33/3/51, Decimal Currency Issue and Exchange Publicity, ETC, 1972-1973.
[45] WJHCB/S.140/SKT/33/3/51, Decimal Currency Issue and Exchange Publicity E.T.C- Memo Reference No. MLGCD/P&T/4/33.

Thus, Sub-committees of the Decimal Currency Publicity were subsequently established in all the 23 Area Development Boards of the State. The Administrative Officer in charge of Gwadabawa Area Development Board for example, wrote to inform the Divisional Secretary, Sokoto Division about constitution of the sub-committee in his Area Development Board as follows:

> I have to refer to your endorsement N. DCP/115/22 of 20th October, 1972 and inform you that the nominated members of the sub-committee for the above mentioned subject are as follows: 1. Alhaji Hussaini Aliu A.D.O. Chairman, 2. M. Umaru Bodinga Education Officer- member, 3. M. Aliu Magawata District Scribe- member, 4. M. Amadu Ka'oje Area Public Enlight. Officer- member, 5. M. Gambo Health Inspector- member, 6. M. Altine Sn. Organiser- member, 7. Alhaji Sarki Librarian- member, 8. Sarkin Magori Librarian Gada- member, 9. M. Yahaya Agric Officer- member, 10. M. Aliyu Jirgona- member, 11. Alhaji Sayyadi- member, 12. Dangaladiman Gada- member.[46]

Further correspondence on publicity about the decimal currency in the study area included the one sent by the Permanent Secretary, Ministry of Establishments & Training, North-western State- Muhammadu Jega, dated 30th December, 1972 to the Secretary to the Military Government of the State, all Permanent Secretaries, all Heads of Departments, and the Private Secretary to his Excellency the Military Governor of the State, informing them of salaries and wages conversion to the decimal currency.[47] Another one dated 12th January, 1973 was sent by Mohammed Abbas, on behalf of the Permanent Secretary, Ministry for Local Government and Community Development, North-western State, Sokoto, to all Divisional Secretaries, Local Authorities and Local Education Authorities in the state, still on the information about conversion of salaries and wages to the decimal currency.[48]

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[46] WJHCB/GDBW/85/Vol.I, Decimal Currency Publicity of- Correspondence Reference No. GADB/8/8

[47] WJHCB/1/70/685/, Zuru Dev/18- Decimalization of the Nigerian Currency, Circular Reference No. ED/FIN/68/22.

[48] WJHCB/1/70/685/, Zuru Dev/18- Decimalization of the Nigerian Currency, Circular Reference No. MLGCD/OFF/8/1/198.

Six months to the commencement of use of the indigenous Nigerian currency- the Naira and kobo, the CBN had already directed all shops and stores in the country to fix prices of their commodities in the new as well as the old currency units. This advance arrangement was meant to provide enough enlightenment to members of the public. At the same time, the Decimal Currency Board had equally on its part embarked on distribution of posters, conversion tables, leaflets and other publications for the purpose of educating the general public on the decimalization arrangements. By December 1972, a month to the effective date for the use of indigenous currency in the whole Nigeria, all commercial banks operating in the former Sokoto Province had received adequate stocks of the new currency notes and coins from the CBN Sub-centre at Sokoto, in readiness for the January 1973 commencement of circulation.[49]

It was a circular, sent by the Acting Permanent Secretary, Ministry of Finance, North-western State, to the Divisional Secretaries of Sokoto, Birnin Kebbi (Gwandu), Argungu, Yelwa (Yauri) and Zuru Divisions as well as other five ones in the state; which subsequently introduced the decimal currency in our study area.[50] The circular reads:

> I am directed to refer to the Accountant General's letter No. CAG.126/96/DAG of 16th December, 1972, and to request you to make necessary arrangement for the launching ceremony of the new currency at the Divisional and Local Authority levels on the same basis as the one to be performed by His Excellency the Military Governor here in Sokoto. This will enable the local people in villages to become more aware of the new currency and exchange of old currency for the new ones.[51]

In preparation for making the new currency notes available to members of public in the state, the Ministry of Finance guaranteed advance issue of the notes to the Local Authorities for a period of 21 days beginning from 2nd January, 1973 as follows:

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[49] AHA/PJS1/12/121, Central Bank of Nigeria, Tinibu Square, Lagos- Offices and Sub-centres, 11th December, 1972.
[50] WJHCB/S.140/SKT/33/3/51, Decimal Currency Issue and Exchange Publicity E.T.C- Circular Reference No. CAG.126/109/DAG. The other 5 divisions in the state which are outside the scope of this study were: Abuja, Agaie/Lapai, Bida, Kontagora and Minna.
[51] *Ibid.*

Table 5.4: Advance of Decimal Currency Notes issued to Local Authorities in the North-western State by the State Ministry of Finance

S/No.	Local Authority	Amount in Advanced in pounds
1.	Sokoto	100,000
2.	Gwandu	30,000
3.	Argungu	13,000
4.	Yauri	6,000
5.	Zuru	10,000
	Total	£159,000

Source: WJHCB/S.140/SKT/33/3/51, Decimal Currency Issue and Exchange Publicity, p. 2

Accompanied by the advance of decimal currency notes to the local authorities in the state was a conversion guide sent to the Ministry of Finance by the National Decimal Currency Board. According to the guide, the following coins denominations shall be converted in decimal coins as shown below.

1. 1/2d (half penny) shall be equivalent on conversion to ½k (half kobo).
2. 1d (one penny) shall be equivalent on conversion to 1k (one kobo).
3. 6d (six pence) shall be equivalent on conversion to 5k (five kobo).
4. 1s (one shilling) shall be equivalent on conversion to 10k (ten kobo).
5. 2/6d (two shillings and six pence) shall be equivalent on conversion to 25k (twenty five kobo).[52]

Whereas, the notes denominations shall be converted as follows:

1. 5s (five shillings) shall be equivalent on conversion to 50k (fifty kobo).

[52] WJHCB/1/70/685/, Zuru Dev/18, Decimalization of the Nigerian Currency- Background to and Facts about Nigeria's Decimal Currency, Issued by Decimal Currency Board, Lagos, p. 5.

2. 10s (ten shillings) shall be equivalent on conversion to ₦1 (one Naira), the major unit of the new currency.
3. £2:10s (two ponds and ten shillings) shall be equivalent on conversion to ₦5 (five Naira).
4. £5 (five pounds) shall be equivalent on conversion to ₦10 (ten Naira), which was then the highest decimal currency note denomination.[53]

Initially, dateline for completion of the changeover to the decimal currency was slated for 14th February, 1973 but the dateline was however, later further extended by the CBN by 6 months, to be completed on 31st August, 1973. Consequently, with effect from 1st January, 1973, the new decimal currency became legal tender in the former Sokoto Province in particular and in the whole Nigeria in general. The change involved currency notes and coins introduced in the new names of Naira (₦) and kobo (k) as the major and minor units of the currency respectively, in place of the pound system. This resulted into the currency change over from the £ (pound), s (shilling) and d (pence) to the use of Naira (₦) and kobo (k) in the Nigerian monetary system. The denominations introduced in 1973 under the new Nigeria's currency of Naira and kobo were 50k (fifty kobo, called *kwabo hamsin* or *sulai biyar* in Hausa), ₦1 (one Naira , *Naira daya* in Hausa), ₦5 (five Naira , *Naira biyar* in Hausa) and ₦10 (ten Naira , *Naira goma* in Hausa) as bank notes; and the coins denominations were 1/2k (half-kobo, *sisin kwabo* in Hausa), 1k(one kobo, *kwabo daya* in Hausa), 5k (five kobo, *sisi* in Hausa), 10k (ten kobo, *sulai daya*) and 25k (twenty five kobo, called *biyu da sisi* in Hausa),[54] see appendix VIII. The 5k and 10k had earlier been introduced on July 3, 1972; they circulated side by side with the British coins and were exactly convertible to six pence and one shilling of the old pounds system

[53] *Ibid.*
[54] J. Nduwugwe, "The Metamorphosis of Nigerian Currency", *Leadership Newspaper*, February 28, 2007, p. 35; Malam Ilyasu Abubakar Gidan Kaya (seller of old currencies) at Kofar Gabas (Sokoto Central Market), 81 years, on Saturday 28th September, 2013, provided the Hausa equivalents.

respectively. On their issue therefore, the coins were popularly received and perceived as the first Nigerian coins which did not carry the head of a British Monarch. However, under the new system, one Naira was equals to ten shillings in the old Nigerian Pounds currency system.[55]

The 50k, ₦1, ₦5 and ₦10 notes had the inscription of the CBN and its former Tinubu Square building located at Lagos, on their front sides. The reverse sides of these currencies (50K, ₦1, ₦5 and ₦10) also bore the inscriptions of the CBN in addition to 'Federal Republic of Nigeria'. Added to these, their colours, size and other features by January 1973 were as follows: the 50k had a brown colour, a size of 127x78 mm and picture of a 'timber industry', which signified the major product of the Mid-West Region of Nigeria with its headquarters at Benin City. The ₦1 note had a red colour, 137x78 mm size and it had a picture of 'groundnut', symbolising a product of the Northern Region with its headquarters at Kaduna. The ₦5 note carried a mixture of green and blue colours, 151x78 mm size, as well as the photograph of palm-kernel, which was one of the products of the Eastern Region of the country with its headquarters at Enugu. Lastly, the ₦10 note which carried a purple colour and was 151x78 mm in size had the photograph of a 'dam', symbolising Nigeria's Kainji Dam, which was and still is one of the sources of power supply to the country.[56]

Other common features to the indigenous currency notes included: the Coat of Arms of Nigeria placed centrally below the watermark panel at the back, the serial number at the top (far right) and the bottom, the signatures of the Governor and Deputy Director, Currency Operations of the Central Bank amongst other things. However, all the coins issued in 1973 (1/2k, 1k, 5k, 10k, 25k) were the same in dimension. The only major

[55] J. Nduwugwe, "The Metamorphosis of Nigerian Currency..., *ibid.*
[56] A.Y. Bello, "How Nigeria's Currency Evolved..., *op.cit*.

distinction among them was that, while 25k, 10k and 5k were issued in silver; the 1k was issued in bronze and 1/2k in copper. Similarly, the 1/2k had engravings of cotton plants at the front and coat of arms at the back (reverse), the 1k had engravings of oil derricks at the front and coat of arms at the reverse, 5k had engravings of cocoa beans at the front and coat of arms reverse, 10k had engravings of palm trees at the front and coat of arms at the reverse and then, the 25k had engravings of peanuts at the front and coat of arms at the reverse. [57]

The name Naira was said to have been derived from Nigeria while its minor unit, the kobo was Nigeria's popular name for the British coin of one penny. The symbol for Naira is the capital letter "N" with two parallel horizontal lines running across it and protruding at both ends (₦). The symbol "₦" should thus be placed in front of the numerals in the same way "£" sign was used. Examples are ₦5, ₦89, ₦1,264 etc. In the case of kobo, its symbol is the small letter "k". However, the symbol here should be placed after the numerals e.g. 9k, 11k, 67k in the same way as the letter "d" was used for pence e.g. 9d, 27d and 75d. But, it should be noted that both the singular and plural forms of the Naira and kobo shall be the same; in other words no "s" is required to denote the plural form. For instance, in the case of two Naira and above, the word "Naira" should be written or pronounced and not "Naira s". So also in case of two kobo and above, the word "kobo" should be used and not "kobos"[58] It has otherwise been argued that the name 'Naira' and its symbol '₦' were derived from the River Niger that runs across the country, as the Committee considered it an opportunity of the change over to decimal currency to also adopt indigenous names for the major and minor units of the new currency.[59]

[57] *Ibid.* See also appendix VIII.
[58] O. Adeyemi, *T*he Nigerian Naira & Kobo..., *op.cit*, pp. 10-11.
[59] J. Nduwugwe, "The Metamorphosis of Nigerian Currency...", *op.cit.*

For security measures and in accordance with the practice all over the world, as from 1973 the Nigeria's indigenous currency notes have been carrying watermarks. The country's symbol of 'Eagle' for example, was substituted for the head of lion in the British currency. So also the country's motto of 'unity and faith, peace and progress' was added to the Nigeria's indigenous currency. Consequently, on 1st January, 1973, it became necessary for all Nigerians to comply with the new currency laws. By 2nd January of the same year, all deposit money banks in the country fully adhered to the new currency system, while the Nigeria's inherited British pounds, shillings and pence became prohibited and ceased to be legal tender for any form of transaction in any part of the country.[60]

It is however important to note that since the January 1973 change of the Nigerian currency was a major one that involved not only introducing new currency notes and coins, but also replacement of the country's inherited currency units (pound, shilling and pence) with the indigenous currency units of the Naira and kobo; the pre-1973 currency notes and coins had continued to serve as medium of exchange in some parts of the former Sokoto Province long after they seized to be legal tender in Nigeria i.e. they were prohibited to be used as medium of exchange by the laws of the country. Up to May 1974, the Permanent Secretary, Ministry for Local Government and Community Development, North-western State, was complaining of the existence of old coins currency to all the Divisional Secretaries in the state. In a memo titled "Exchange of Old Coins", he stated:

> I am directed to refer to the above and to inform you that report has been received from the Ministry of Finance North Western State that large sum of old coins are still in this state... This Ministry is worried to hear that the old coins are still in use in some Local Authority areas in the State. I therefore appeal to all Local Authorities to urge their people to speed up changing their old coins, shillings, six pence, three pence, pennies, and half pennies since they can still be accepted in all commercial banks in

[60] B. Ike, "Legal Framework for Currency Management (I)...", *op.cit*, p. 21.

> exchange for new ones. For the convenience of those in rural areas you should write your district heads and instruct them to convey this important information to all village heads under them.[61]

But in the long run, the old currency had to give way for the new ones since we all now know that there is no part of the former Sokoto Province and the whole Nigeria indeed, where the old currency are acceptable as legal tender.

5.8 The Oil boom and Nigerian Currency in the former Sokoto Province

Crude oil was first discovered in commercial quantities in Nigeria in 1956, while actual production started in 1958. It became the dominant resource in the mid-1970s. On-shore oil exploration accounts for about 65% of total production and it is found mainly in the swampy areas of the Niger Delta, while the remaining 35% represents offshore production and involves drilling for oil in the deep waters of the continental shelf. Nigeria has proven reserves of about 32 billion barrels of predominantly low sulphur light crude, which at current rate of exploitation (by 2004), could last another 38 years. The intention was to expand the reserves to 40 billion barrels and production capacity to 4 million barrels per day.[62]

By the time Nigeria became politically independent in October 1960, agriculture was the dominant sector of the economy, contributing about 70% of the Gross Domestic Product (GDP), employing about the same percentage of the working population, and accounting for about 90% of foreign earnings and Federal Government revenue. The early period of post-independence until the mid-1970s witnessed a rapid growth of industrial capacity and output, as the contribution of the manufacturing sector to GDP rose from

[61]WJHCB/GDBW/85/Vol.I, Decimal Currency Publicity of- Memo Reference No. MLGCD/P&T/4/VOL.1/76

[62] B. Adedipe, "The Impact of Oil on Nigeria's Economic Policy Formulation", a paper, Presented at the Conference on Nigeria: Maximizing Pro-poor Growth: Regenerating the Socio-economic Database, Organised by Overseas Development Institute in collaboration with the Nigerian Economic Summit Group, 16th -17th June, 2004, pp. 1-2.

4.8% to 8.2%.[63] This pattern changed when oil suddenly became of strategic importance to the world economy through its supply-price nexus as shown in the table below:

Table 5.5: Nigeria's Sectoral Contribution to Gross Domestic Product (GDP)

Sector	1960	1970	1980	1990	2000	2002
Agriculture	64.1	47.6%	30.8%	39.0%	35.7%	28.35%
Manufacturing	4.8%	8.2%	8.1%	8.2%	3.4%	5.5%
Crude petroleum	0.3%	7.1%	22.0%	12.8%	47.5%	40.6%
Others	30.8%	37.1%	39.1%	40.0%	13.4%	25.55%

Source: B. Adedipe, "The Impact of Oil on Nigeria's Economic Policy Formulation", a paper, Presented at the Conference on Nigeria: Maximizing Pro-poor Growth: Regenerating the Socio-economic Database, Organised by Overseas Development Institute in collaboration with the Nigerian Economic Summit Group, 16th -17th June, 2004, p. 1.

Nigeria joined the Organisation of Petroleum Exporting Countries (OPEC) in 1971, which in late 1973 set up an embargo on western countries over their support of Israel in the Yom Kippur war in October that year. Consequently, prices of petroleum skyrocketed, rising from $3.80 a barrel in October 1973 to $ 14.70 by January 1974, and remained higher for most of the remainder of the 1970s.[64] Thus, the massive increase in oil revenue as an aftermath of the Middle-East war of 1973 created unprecedented, unexpected and unplanned wealth for Nigeria. It was that period of massive increase in oil revenue that is being referred to as 'oil boom era' in Nigerian history, which lasted from 1973 to 1983. The period was characterized by large transfer of wealth to the country and increase public expenditure, as well as ad-hoc and ill-conceived government policies. The economy of the country also became heavily dependent on imports during the period; almost everything was imported, from toothpicks to toothpaste and dispensers. This was in addition to decline in the contribution of agriculture to the overall country's GDP.[65]

[63] *Ibid,* p. 1.
[64] T. Falola and M.M. Heaton, *A History of Nigeria*, Cambridge, Cambridge University Press, 2008, p. 182.
[65] A.A. Ammani, "Nigeria's Oil boom Period (1973-1983): Was Agriculture Really Neglected?", *International Journal of Statistics and Applications*, Vol. 1, No. 1, 2011, pp. 6-7.

The influx of wealth accrued from oil during the oil boom era led enormous rises in state expenditure. Gowon, who was the then Head of Military Government in Nigeria, increased the size of the public service, granted huge wage and salary increases to government employees (known as the "Udoji Salary Award"), and went about investing in large infrastructural projects such as restoring farms, roads, and airports that had been damaged during the Nigerian civil war. Gowon also undertook the building of new schools and military barracks, and spent massively on preparations of the Festival of Black Arts & Culture (FESTAC). He also increased military spending, maintaining a standing army of over 200,000 soldiers- much more than needed during peace time.[66]

One may therefore, argue from the foregoing that there was no serious attempt to invest the windfall from oil in viable projects. For instance, the 100% Udoji salary increase of 1975 was disastrous for the economy of the country as prices increased by more than 100%. The payment of a year's arrears of the increment further worsened the situation. Except for the huge expenditures on education and construction of dual carriage highways in some parts of the country, Nigeria would have had nothing to show from the oil boom era. These developments brought about dramatic shift of policies from a holistic approach to benchmarking them against the state of the oil sector. The result was that the Nigeria currency, the Naira, became more strengthened as foreign exchange inflows outweighed outflows, and foreign reserves were built up. Throughout the 1970s therefore, Nigeria experienced a significant increase in the volume of its economic activities. It was this phenomenal growth in the volume of commercial transactions, coupled with the oil boom of that decade that made CBN to introduce ₦20 (Twenty Naira) note on the 11th of February, 1977 for the country including former Sokoto Province.[67] The introduction of

[66] T. Falola and M.M. Heaton, A History of Nigeria..., *op.cit,* p.183.
[67] B. Adedipe, "The Impact of Oil on Nigeria's Economic Policy Formulation…", *op.cit*, p. 2.

the ₦20 note by that time became necessary in Nigeria due to the need for more convenience in cash transactions, following the growth of income in the country.[68] At the time of its introduction, the ₦20 note was 151 x 78 mm in size.[69] Thus, it was in response to the rapid economic growth made possible by the oil boom in Nigeria that the ₦20 note was introduced in 1977 as an additional currency note for the former Sokoto Province in particular and for Nigeria in general.

The issuance of ₦20 note was in addition to response to the rapid economic growth made possible by the oil boom, special in the history of Nigeria in two respects. It was, and remains the first currency note to bear the picture of a Nigerian citizen- the late Head of State, General Murtala Ramat Muhammed (1938-1976), the torch bearer of the Nigerian revolution that began on 29th July 1975 but who was later assassinated on February 13, 1976 during the Dimka-led abortive coup.[70] The note was issued on the first anniversary of his assassination in February, 1977 as a befitting tribute to an eminent son of Nigeria. He was eventually declared a national hero for his leadership qualities by his successor's led administration, General Olusegun Obasanjo, on 1st October, 1978. Another reason why the issuance of ₦20 note was special in the history of Nigeria is that from the time it was introduced in 1977, it was the highest denomination and the most dominant in the

[68] A.Y. Bello, "How Nigeria's Currency Evolved"..., *op.cit,* p. 49.
[69] See appendix IX.
[70] It is for this reason that the ₦20 note has been otherwise called 'muttala', driven from the name of the person whose picture appear on the note, in many parts of northern Nigeria especially among the Hausa dominated communities. Oral information obtained from several informants in the study area. They include: Malam Ilyasu Abubakar Gidan Kaya (seller of old currencies) at Kofar Gabas (Sokoto Central Market), 81 years, on Saturday 28th September, 2013; Alhaji Aliyu Jibrin Yelwa (Sardaunan Yauri)..., *op.cit*; Alhaji Musa Mai Chanji, 56 years, interviewed on Sunday 23rd August, 2015 and Malam Yakubu Gogo, farmer, 62 years, at his residence in Tudun Wada, Mahuta, on Wednesday 26th August, 2015. Present at the interview with the later, was Malam Yusuf Abdullahi of the Department of History & Strategic Studies, Federal University, Dutsin-Ma, Katsina State.

country's economic transactions; the two positions it held, for nearly one and a half decade until in 1991 when ₦50 note was introduced.[71]

Still as part of consequences of the oil boom era in Nigeria on 2nd July, 1979, the currency notes of ₦1, ₦5 and ₦10 denominations were re-designed and re-introduced, (see appendix X). The re-designed notes were of the same size as in the case of ₦20 note (i.e. 151 x 78 mm) issued earlier on the 11th of February, 1977. In order to facilitate identification, distinctive colours which were similar to those of the existing banknotes of the various denominations were used. This time, the front view of ₦1 note bore and is still bearing the photograph of Mr. Herbert Macaulay (1864-1946), the father of politics in Nigeria and one of the architects of Nigerian independence as well as symbol of Festac town at the back.[72] The colour of the note was red. The front view of ₦5 note bore and still bears the portrait of Alhaji Sir, Abubakar Tafawa Balewa (1912 – 1966), the first Prime Minister of Nigeria; while Nkpokiti dancers and their drums are shown at the back.[73] Its front colour was green and the back colour was dark green. The front view of ₦10 note bore and still bears the picture of Dr Alvan Ikoku (1900 – 1971), a prominent educationist; while Fulani milk maids are shown at the back. The engravings on the back of the

[71] A.Y. Bello, "How Nigeria's Currency Evolved...", *op.cit*. See also the official website of the CBN at http://www.cbn.gov.ng/Currency/Oldnotes/1977.asp, retrieved on Wednesday 15th April, 2015.

[72] Festac town is a residential estate built in a village and designed to house the participants of the Second World African Festival of Arts and Culture that was held in 1977. It is located along the Lagos-Badagry Expressway in Lagos State, Nigeria. Consisting of 5,000 contemporary dwelling units and seven major avenues, the estate was designed in an efficient grid in order to accommodate upwards of 45,000 visitors as well as any Nigerian employees and officers working at the Festival. The Nigerian government invested substantial sums of money and resources into building Festac estate, which sported state of the art electrical generators, police and fire stations, access to public transportation, supermarkets, banks, health centres, public restrooms, and postal services. The town was therefore intended to evoke the modern age and the promise of state-sponsored economic development fuelled by oil revenues. See E. Ekanem, "FESTAC 77 responsible for Nigeria's woes – Cleric", *Vanguard Newspaper*, 14th April, 2013, p. 25.

[73] Nkpokiti dance is a combination of various Igbo dances from the South-Eastern Nigeria namely, the "egwu ogbagu" (Ogbagu dance), "Atilogwu", "Ihediegwu", "Igba dance", "Ijele dance" and some other dances. Its origin can be traced back to the year 1947, when a primary school teacher by name Festus Nwankkwo organised a group of pupils at St. Joseph Primary School Umunze (in the present Anambra State) and began to teach them the rudiments of traditional Igbo dance. The dance was initially called "Egwu Umuakkwukwo" (student dance) but was unanimously renamed Nkpokiti dance by the spectators at Ajali, a neighbouring town to Umunze, during a performance in an event marking Nigeria's independence in 1960. See O. Nwafor, "The Development of Indigenous African Dance: A Paradigmatic Appraisal of Nkpokiti of Umunze", *Creative Artist: A Journal of Theatre and Media Studies*, Vol. 7, No. 1, 2013, pp. 187-189.

redesigned notes reflect cultural aspects of the country. It is important to note that all the other three eminent Nigerian personalities whose pictures appears on the country's currency notes (₦1, ₦5 and ₦10) since 1979 were also declared national heroes alongside General Murtala Ramat Muhammed on 1st October, 1978. As an integral part of Nigeria, the re-designed currency notes also became legal tender in the former Sokoto Province. However, the re-designed currency notes were withdrawn and reissued in new colours in 1984.[74]

Meanwhile, it is worthy to note that the massive increase in oil revenue during the oil boom in Nigeria had also encouraged import-oriented consumption habit that soon turned Nigeria into a perennial net importer, which became a major problem when oil earnings decreased with lower international oil prices. This was responsible for the external reserves to collapse, fiscal deficits mounted and external borrowing ensued with the "jumbo loans" taken in 1978 and 1979.[75] Most of Nigeria's macro-economic indices became unstable and worrisome. That was the beginning of the economic crises of the late 1970s and early 1980s in Nigeria. From 1978, following the collapse of oil prices which exerted considerable pressure on government finances, it became necessary to borrow for balance of payments support and project financing.[76] This led to promulgation of Decree No. 30 of 1978, authorizing the Federal Government to raise external loans to a maximum

[74] A.Y. Bello, "How Nigeria's Currency Evolved...", *op.cit*. See also, D.O. Chukwu, "Trends and Changes in the Nigerian Currency...", *op.cit*, p. 94.

[75] "Jumbo loans" were series of major borrowing contracted between Nigeria and International Capital Market (ICM). When Nigeria experienced a temporary decline in oil revenue as from 1977, the first Jumbo loan amounting to $1.92 billion was obtained from the ICM in 1978 with grace and repayment periods of eight years. The second Jumbo loan amounting to $750 million was taken 1979. For more on this, see A. Ubom, "Economic Implications of Foreign Loans on Real Sector Development in Nigeria", *International Journal of Finances and Accounting*, Vol. 3, No. 5, 2014, p. 296.

[76] Balance of payments deals with all monetary transactions between one country and the rest of the world. It includes visible trade, invisible trade, foreign loans, foreign investments and foreign exchange reserve. It is described as 'favourable' or 'surplus' if the money a country receives from her export exceed what it pay for her import. But if the money a country pay for her import exceed that of her import, we say the balance of payment is 'unfavourable' or 'deficit'. See I.A. Ilegbinosa, "Trends in Nigeria's Balance of Payments: An Empirical Analysis from 1970-2010", *European Journal of Business and Management*, Vol. 4, No. 21, 2012, p. 210.

of ₦5 billion. Moreover, with the continuing collapse of oil prices of the early 1980s especially that of 1982 and the rise in real interest rates of the period; the massive oil revenue of the oil boom era began to fall down drastically. For instance, Nigeria earned $25 billion from oil export in 1980, but this declined to $12 billion in 1982 and further to $6 billion in 1986.[77] Consequently, Nigeria experienced rising inflation, strict rationing of foreign exchange and balance of payment deficit. As means of tackling the problems and stabilizing the economy therefore, the country's leadership resorted to obtaining external loan, which ultimately plunged the country into debt crisis. The later development, (external loan) and its outcome (debt crisis) have devastating effect on value of the Nigerian currency (the Naira) in relation to foreign exchange rate. Their effect was greatly felt as from 1986 when the country experienced dwindling value of the Naira, following introduction of the Structural Adjustment Programme (SAP) as a strategy of addressing the problems caused by the debt crisis. This would be discussed in detail in the subsequent chapter.

5.9 Central Banking in the Former Sokoto Province

Besides the former headquarters of the CBN located in Marina, Lagos and its headquarters that was later moved to Abuja; the first CBN branch in Nigeria was opened in Kano, in 1962. The second branch was opened in Port Harcourt in 1964 and the third one was opened in Ibadan in 1965.[78] The idea of opening a CBN office in Sokoto dates back to 1972 when decimal currency was introduced in Nigeria. It was with a view to making the newly introduced decimal currency available for commercial banks, which were expected to further make them available for members of public in the region, that the CBN opened a

[77] B. Pinto, "Nigeria During and After the Oil Boom: A Policy Comparison with Indonesia", *The World Bank Economic Review*, Vol. 1, No. 3, 1987, p. 419.
[78] "Fifty Years of Central Banking in Nigeria", A Golden Jubilee Publication of the CBN, p. 20.

Sub-centre in Sokoto in 1972.[79] However, the full fledge Sokoto branch of the CBN, which was the first in the study area, was opened on 27th July, 1978 together with Ilorin, Jos, Kaduna, and Maiduguri branches. It was commissioned by the former Military Governor of Sokoto State, then Col. Muhammadu Gado Nasko.[80] The branch was and still is located at Kano road, adjacent to a fly over, called *gadan Alu* and opposite UBA main branch, Sokoto.

Until opening of the two new branches in Birnin Kebbi and Gusau, which took place later in 2010, the Sokoto CBN branch was since its establishment in 1978, responsible for supplying bulk cash to deposit money banks and accepting deposit from them in the entire former Sokoto Province area (Sokoto, Kebbi and Zamfara states). This was in addition to supervision of all deposit money banks and clearing of their intra and inter-bank cheques, within its area of operation. It was also the responsibility of the CBN Sokoto branch to keep accounts of Ministries, Departments and Agencies (MDAs), especially of the Federal Government operating within the region.[81] Since the establishment of Birnin Kebbi and Gusau branches of the CBN was a later development, which took place in 2010, more detail on that will be given in chapter seven.

5.10 Nigeria's Economic Recession of the 1980s and its Effects on Nigerian Currency in the former Sokoto Province

According to Todaro and Smith,[82] the seeds of the 1980s debt crisis in the developing countries (Nigeria included), were sown in the 1974-1979 period, when there was a virtual explosion in international lending, precipitated by the first major OPEC oil

[79] AHA/PJS1/12/121, Central Bank of Nigeria, Tinibu Square, Lagos- Offices and Sub-centres, 11th December, 1972.
[80] Malam Abdullahi Bawa, Head of Banking, Central Bank of Nigeria, Sokoto Branch, interviewed at his office on Tuesday 30th December, 2014; "Fifty Years of Central Banking in Nigeria…, *op.cit*, p. 20.
[81] *Ibid*; Malam Yasar Adamu, (Customer Service Officer, CBN Gusau), confirmed the information. My interview with him took place in Gusau, at his residence, on Sunday 26th July, 2015.
[82] M.P. Todaro and S.C. Smith, *Economic Development*, Essex, Pearson Education Limited (Tenth Edition), 2009, pp. 676-677.

price increase. By 1974, developing countries had begun playing a larger role in the world economy, having averaged growth rates of 6.6% in 1967-1973. Following outward-looking development strategies caused by the oil wealth in the early 1970s, the developing countries expanded their exports, particularly of the oil resources aggressively. In the face of high oil prices and a world recession, in which the growth rates of the industrialized countries fell from an average of 5.2% in 1967-1974 to an average of 2.7% for the rest of the 1970s, many developing countries sought to sustain their high growth rates through increased borrowing. Thus, for most developing countries, the 1980s was an extraordinary difficult period in their balance of payment accounts with the rest of the world.[83] It is important to however, note that although foreign borrowing can be highly beneficial by providing the resources necessary to promote economic growth and development, but when poorly managed, it can be very costly.[84]

The manifestation of the above situation in the case of Nigeria was that, the country's economy was plunged into a very severe crisis in the 1980s. Among other things, the crisis was manifested in balance of payment deficit, dragged external and internal debts, heavy budget deficits, a high rate of inflation, smuggling, a low level of capacity utilization in the manufacturing industries and the worsening material condition of the majority of the populace. The severity of the economic crisis became manifest in 1982 with the rapidly diminishing foreign reserves among external debts, even though the crisis had been latent since the attainment of political independence in 1960 when a neo-colonial political economy was foisted on the country. However, the collapse of the world oil market and the subsequent drastic reduction in government revenue from the late 1970s, which made the Nigerian government embark on heavy external borrowing and the

[83] *Ibid*, p. 677.
[84] *Ibid*, p. 675.

associated high debt service ratio, aggravated the crisis. This resulted in a phenomenal growth of the country's external debt. For instance, Nigeria's external debt jumped from $1.2 billion in 1978 to $ 12.8 billion in 1983 and even to $30 billion in 1989. In Naira terms, Nigeria's external debt rose from ₦1.3 billion in 1978 to ₦10.6 billion in 1983 and then rose ₦240.4 billion in 1989.[85]

Although the origin of the Nigeria's external debt dates back to the year 1958 when a loan of $28 million (US dollars) was contracted from the World Bank for the purpose of constructing railway and other development projects; the increase in Nigeria's debt situation can as well be traced to the need to finance the widening deficit gap created by reckless spending of the oil boom era, which was characterised by rising fiscal deficits and by falling foreign exchange earnings.[86] In the early 1980s therefore, the oil market weakened, and then substantial and fiscal imbalances ensued.[87] That was the situation when the military took over the administration of the country from the Shehu Shagari led civilian administration on 31st December, 1983. Major General Muhammadu Buhari took the mantle of leadership as the new Head of State.[88] In 1984, the Muhammadu Buhari led military administration introduced austerity measures to redress the nagging deficits in the country's balance of payments, which included slashing of budgetary expenditures, administrative control for import license as well as increase and upward review of tariffs.[89]

In the monetary sector, in its effort to combat the problem of inflation, budget deficit and corruption which have their origins from the oil boom era and then later promoted by the decrease in oil revenue, decline in foreign exchange reserve and debt

[85] J.I. Dibua, *Modernization and the Crisis of Development in Africa: The Nigerian Experience*, Hampshire, Asghate Publishing Ltd, 2006, p. 249.
[86] O.O. Romanus, "External Debt Crisis, Debt Relief and Economic Growth: Lessons from Nigeria", *European Journal of Business and Management*, Vol. 6, No. 33, 2014, p. 109.
[87] I.A. Ilegbinosa, "Trends in Nigeria's Balance of Payments...", *op.cit*.
[88] E. Otoghagua, *Regimes of Nigerian Heads of State: Policies and Politics, Achievements and Failures*, Benin City, Guide Press, 1999, p. 201.
[89] I.A. Ilegbinosa, "Trends in Nigeria's Balance of Payments...", *op.cit*.

crisis; another change was made by the Nigerian military government of Buhari-Idiagbon in the colours of the existing currencies in 1984. The government directed the CBN to cause a change in the colours of the existing Nigerian currency notes, although at that time no new denominations were introduced.[90] It has already been discussed that prior to this change, four eminent Nigerians namely, Mr. Herbert Macaulay, Alhaji Sir, Abubakar Tafawa Balewa, Dr Alvan Ikoku and General Murtala Ramat Muhammed had their photographs embossed on the ₦1, ₦5, ₦10 and ₦20 notes respectively. Under their regime (Buhari/Idiagbon), the Nigerian currency denominations in existence then, with the exception of 50k, were all swapped within two weeks even as many Nigerians clamoured for the extension of the deadline as announced by the government of the day. Their agitations of seeking for the extension were however to no avail.[91] The ₦1 note which was red before was changed to yellow, the ₦5 which was green, was changed to deep pink colour, the ₦10 note changed from pink to red, and the ₦20 note which was yellow, was changed to green colour. It is these new colours that these denominations of ₦1, ₦5, ₦10 and ₦20 have been bearing since 1984 [92](see appendix XI). In the former Sokoto Province and other places in northern Nigeria, the 1984 currency change is popularly known as *canjin Buhari*, meaning 'Buhari's change'.[93]

The swap of the Nigerian currency notes carried out by the Buhari/Idiagbon regime came at a time when corruption and inflation had eaten-up the country's economy. The change was therefore, designed as a counter policy measure to demonetise the money alleged to have been stolen by politicians and kept outside the banking system. The

[90] A. Olukoshi, "The Origins, Dimensions and Consequences of the Nigerian Economic Crisis: 1982-1985", in A. Olukoshi (ed.), *Crisis and Adjustment in Nigerian Economy*, Lagos, JAD Publishers Limited, 1991, p. 40.
[91] A. Abdulrashid, "The Impact of New Naira Notes...", *op.cit*, p. 66.
[92] A.Y. Bello, "How Nigeria's Currency Evolved...", *op.cit*. See also, D.O. Chukwu, "Trends and Changes in the Nigerian Currency...", *op.cit*, p. 94.
[93] Alhaji Musa Mai Chanji..., *op.cit*.

implication of this action was that, it brought about positive changes in the economy that yielded two results. One, the cash stolen away by corrupt politicians could not find its way back into the economy; hence it prevented a situation of too much money in circulation that could have promoted inflation. Two, the problem of money laundering was greatly reduced as old money held by money launderers before the change, were made useless.[94] It is imperative to note that, since the decision to swap colours of the currency notes came unannounced and that the request to extend period of the swap was not granted; the objectives of the policy were successfully accomplished.[95]

The action on other side, led to bankruptcy of many businessmen in the country largely due to limited time allocated for the change and partly because of lack of patronage of banking system. The problem caused by the currency change was more serious and glaring in places like the former Sokoto Province, which was and still is one of the backward regions in Nigeria, in terms of subscription to banking system.[96] Most of the people that became negatively affected by the 1984 currency change in the study area covered by this research were businessmen who did not embrace the habit of saving their money in banks. Even the few ones that operated banking system could not change all their old money with the new ones because of the limited period earmarked for the exchange exercise. Here in Sokoto for example, the victims included late Alhaji Abu Dankure, late Alhaji Tsoho Dan Amale and late Alhaji Gandi Koje 'Yar Katanga Area,

[94] Money Laundering is a process by which criminals attempt to hide or disguise the true origin and ownership of their ill-gotten wealth. The purpose is to avoid prosecution, conviction and confiscation of the ill-gotten wealth. Some of the major sources of illegal money include: drug trafficking, human trafficking, robbery, fraud, smuggling, corruption and tax evasion. See "know your Money Laundering Responsibilities: An Overview for Members' Guidance", a reading document, prepared by the Institute of Charted Accountant of Nigeria (ICAN), for its members, NP, ND, p.1.

[95] A. Abdulrashid, "The Impact of New Naira Notes...", *op.cit*, pp. 66-67.

[96] A recent survey carried out by Enhance Financial Inclusion and Access in June, 2015, shows that it is only 35% of adult population in Nigeria who have bank accounts. This means that up to 65% of the adult population in the country predominantly from North-west and North-east geo-political zones, do not have bank accounts. This is the situation in 2015, not alone to talk of 31 years ago.

Sokoto.[97] Up to the time of their death, the two prominent businessmen in Sokoto (Abu Dankure and Tsoho Dan Amale), were very well known for their extreme dislike for the former Head of State and currently the President of the Federal Republic of Nigeria, Muhammadu Buhari; which they attributed to enormous loss of wealth they encountered during the 1984 currency change.[98]

Others that became ruined by the 1984 currency change in Sokoto were late Alhaji Ahmadu Dankwari who was a seller of textiles, late Alhaji Magaji Kada Giwa who was a prominent merchant, late Alhaji Malami Sabon Birni also a textile dealer at Sokoto old market, late Alhaji Abdu Magayaki and late Alhaji Umaru Tabbai.[99] After the episode, some of them could not get back their wealth. For instance, late Alhaji Abdu Magayaki could not exchange huge amount of his old money with the new ones, an event that gradually led to subsequent closure of his businesses.[100] From other parts of the study area the victims included Alhaji Audu Kimba, Alhaji Anaruwa Mai Fulawa, Alhaji Yusuf Hussaini Jega- all from Jega town in Gwandu Emirate, Kebbi State;[101] Alhaji Shehun Turawa, Alhaji Sanusi Bakane, Alhaji Lawali Mai Atampa- from Kaura Namoda formerly in Sokoto Emirate but now an emirate in Zamfara State;[102] late Alhaji Muhammadu Dudu, late Alhaji Dantani Maigishiri, late Alhaji Garba Mai Katako, Alhaji Amadu Dan Bagobiri- from Yelwa in Yauri Emirate, Kebbi State;[103] Kurma Mai Tireda Marina, Alhaji

[97] Oral interview with Alhaji Bello Dan Sarki, 53 years, at his residence in Masallacin Shehu Area, Sokoto, on Saturday 22nd August, 2015.
[98] *Ibid.*
[99] Oral interview with Alhaji Umaru (Sarkin Kanwan Sarkin Musulmi), 65 years; Alhaji Musa Mai Chanji..., *op.cit*, interviewed in front of Alhaji Sahabi 'Yar Abba Bureau De Change Office, Tsohuwa Kasuwa, Sokoto, on Sunday 23rd August, 2015.
[100] Alhaji Umaru (Sarkin Kanwan Sarkin Musulmi)..., *op.cit.*
[101] Oral interview with Alhaji Audu Kimba, 70 years, at his residence in Rini Area, Jega on Thursday 20th August, 2015.
[102] The names were made available in separate interviews with Malam Muhammadu Shu'aibu Zurmi, retired civil servant, 79 years; Alhaji Muhammadu Shehu, commercial vehicle deriverr, 67 years and Alhaji Muhammadu Shola Kaura Namoda, Businessman, 81 years, in Kaura Namoda on Sunday 30th August, 2015.
[103]Oral interview with Alhaji Aliyu Mai Katako, 57 years, at his residence in Nasarawa Area, Yauri, on Sunday 19th July, 2015.

Shehu Sokoto, Alhaji Dan Ige- from Mahuta, headquarters of Fakai Local Government Area, in Zuru Emirate, Kebbi State;[104] and late Alhaji Yusuf Maishago, Alhaji Magina Maishago, Malam Bello Maishago, Alhaji Umaru Bakatsine- from Gusau, the capital of Zamfara State.[105] It was the loss caused by the 1984 currency change encountered by Alhaji Umaru Bakatsine, who was a prominent business man in Gusau, which made him to become a watchman.[106]

At this juncture, it is important to note that despite the balance of payment deficit experiences, budget deficit problems and debt crises of the 1980s the value of Nigerian currency (the Naira), remained relatively stable and higher than that of even some countries that were regarded as developed economies like the USA. In fact, up to 1985, if not for during the year 1978 when the price of oil in the world market had began to fall down drastically, which also coincided with the year when Nigeria took her first 'jumbo loan', the Naira was stronger than the US dollar. The exchange rate of the Naira to 1$ (one US dollar) by 1985 was at ₦0.89 (89k) per 1$. This might not be unconnected with stabilization measures and restructuring of fiscal policies carried out by Shagari and Buhari administrations (particularly administration of the later), whose regimes coincided with the period of the economic recession of the 1980s.[107] One of such measures was that, throughout their regimes, the Naira was not devalued.[108] Instead, it was allowed to "purely

[104] Oral interview with Alhaji Magaji Mai Unguwa, 72 years, at his residence in Mahuta, on Wednesday 26th August, 2015. Present at the interview was Malam Yusuf Abdullahi of the Department of History & Strategic Studies, Federal University, Dutsin-Ma, Katsina State.
[105] Malam Sama'ila Lawali Liman, 50 years, interviewed at his residence, Samaru Area, Gusau, on Friday 4th September, 2015.
[106] *Ibid*.
[107] E. Otoghagua, Regimes of Nigerian Heads of State..., *op.cit.*
[108] Devaluation means a fall in the price of a currency in terms of other currencies. If it is applied, less foreign currency can be bought with a unit of the currency that has been devalued. Devaluation and depreciation are similar but while devaluation is generally used for a discrete change in the exchange rate brought about as a matter of policy, depreciation occurs gradually through the working of the foreign exchange markets. See J. Black, *Oxford Dictionary of Economics* (2nd Edition), Oxford, Oxford University Press, p. 119.

float"[109] against a basket of currencies until it could find its value. Consequently, this measure saw the value of Naira slide against the major currencies- the dollar, pound sterling, the German mark, the French franc, the Japanese yen, etc. This was in addition to, swap of the Nigerian currency notes undertaken by the Buhari administration which among other things, reduced grossly, the level of corruption and inflation in the country. It should also be noted the fact that an outright devaluation was not embarked upon by the Shagari and Buhari administrations, made it difficult for their regimes to reach an agreement with the International Monetary Fund (IMF).[110] Table 5.6 below, gives us summary of trend in Nigeria's currency exchange rates in relation to US dollar and British pound, from 1973 to 1985.

Table 5.6: Nigeria's Currency Exchange Rates to US Dollar and British Pound, 1973 to 1985

Year	Nigerian Naira (NGN)/U.S. Dollar (USD)	NGN/ British pound (BP)
1973	0.68	1.63
1974	0.62	1.48
1975	0.62	1.36
1976	0.63	1.13
1977	0.65	1.17
1978	1.61	1.22
1979	0.60	1.26
1980	0.55	1.26
1981	0.61	1.25
1982	0.67	1.17
1983	0.72	1.12
1984	0.76	1.08
1985	0.89	1.20

Source: CBN Statistical Bulletin, Vol. 16, (2005), p. 38.

[109] According to Oxford Dictionary of Economics..., *ibid*, a pure or clean floating exchange rate as it is otherwise called, is a one which is set by the market without any intervention by central banks or governments. It is contrasted with a managed or dirty float in which there is some official intervention in the foreign exchange market. Under pure floating, the exchange rate is whatever private speculators believe it should be. There is thus, a risk of extreme fluctuations in exchange rates and for this reason, very few countries allow a completely clean float for their currencies. See p. 381.

[110] N.O. Yaqub, "State intervention in an Economy: The Case of Nigerian State in the Automobile Industry", PhD thesis, University of Sussex, 1989, p. 96.

It is clear from the above table that, from 1973 when the Naira was first introduced as true independent Nigerian currency, its value (exchange rate) in the world money market was stronger than the United States dollar up to 1985, except for during the year 1978. The 1978 economic recession in Nigeria, was described by Yaqub, as "what could be considered a dress rehearsal compared with that of the 1980s".[111]

5.11 Conclusion

The chapter has examined major developments in the Nigerian history and their effects on the Nigerian currency in the former Sokoto Province from 1960 to 1985. The developments among others include the Nigeria's independence, acquisition of republican status, the Nigeria's civil war, oil boom and economic recession of the late 1970s and early 1980s. During the period covered by the chapter, the Nigerian currency passed through a lot of metamorphosis following the aforementioned political and economic developments in the country. The next chapter will assess monetary programmes and policies in Nigeria and metamorphosis of the Nigerian currency in the former Sokoto Province from 1986 to 2009.

[111] *Ibid*, pp. 95 & 105.

CHAPTER SIX

AN ASSESSMENT OF MONETARY PROGRAMMES AND POLICIES IN NIGERIA AND THE METAMORPHOSIS OF THE NIGERIAN CURRENCY IN SOKOTO PROVINCE, 1986-2009

6.1 Introduction

No government programme between 1986-2009 impacted so much on the declining value of the Nigerian currency like the Structural Adjustment Programme (henceforth, SAP), introduced by the General Ibrahim Badamasi Babangida (henceforth, I.B.B) administration in 1986. Structural Adjustment Policies are economic policies which countries must follow in order to qualify for World Bank and International Monetary Fund (IMF) loans.[1] According to Usman, "structural adjustment is a lending designed to support major changes in policies that would reduce their current account deficits to more manageable proportions in the medium term while maintaining the maximum feasible development effort."[2] The SAP introduced in Nigeria by the I.B.B administration in July 1986 was an official economic programme of the government, which was originally meant to last for only two years. However, its major components did not only outlive him and five other successive presidents but also became critical for the immediate past administration of Goodluck Ebele Jonathan (2010-2015), almost twenty nine years after it was launched. This chapter assesses the effects of SAP and other government monetary policies during the period 1986-2009, such as the establishment of Nigerian Deposits Insurance Corporation (NDIC), bank consolidation on the Nigerian financial system. The

[1] A.H. Ekpo, "The Economics of Structural Adjustment and the Adjustment of Economics", *9th Inaugural Lecture*, Delivered in the University of Uyo, Community Centre, 28th January, 2004, pp. 6-7.
[2] Y.B. Usman, "The Structure of the Nigerian Economy and the Real Meaning of Structural Adjustment", Seminar *on Nigerian Economy and Society since the Berlin Conference*, Vol. 1, Zaria, Ahmadu Bello University, p. 594.

chapter also highlights metamorphosis of the Nigerian currency in Sokoto Province from 1991 to 2009.

6.2 The Structural Adjustment Programme (SAP)

Against the background of a complex economic crisis, which reflected a debilitating recession, structural imbalances, fiscal foreign exchange, and balance of payment crises as well as external debt problems that defiled all forms of reform measures put in place before 1986; the Structural Adjustment Programme (SAP) was introduced on July 1, 1986 by the Babangida administration. The SAP was initially planned for two years (July 1986 – June 1988). It aimed at altering and strengthening aggregate domestic expenditure and production pattern so as to substantially reduce dependence on imports, enhance non-oil export base and bring the economy on the path of steady and balanced growth. It was also geared at positioning the country's policy instruments in the context of an increasingly unpleasant and unsympathetic world economic and financial power structure.[3]

Thus, the need for the adjustment programme arose in Nigeria when the economy of the country experienced an imbalance in aggregate supply which manifested itself in the worsening of a country's balance of payments. More often, this took place after efforts at stabilization have failed to return the economy to its potential growth path. Some of the major features of the economic crisis in Nigeria prior to the introduction of SAP involved the transformation of the economy from the one dependent on agriculture to the one heavily dependent on oil, widespread distortions and imbalances in the economy, heavy dependence on oil and imported inputs which rendered the economy highly vulnerable to external shocks, sharply declining foreign exchange reserve, alarming proportions of

[3] National Centre for Economic Management & Administration, "Understanding Structural Adjustment Programme in Nigeria", a *Draft Report*, Submitted to Global Development Network, pp. 14-15.

unemployment, and the collapse of oil prices.[4] Thus, it was the harshness of the economic crisis of the early 1980s that led to the introduction of SAP in Nigeria.[5]

As in the case of other third world countries, the Bretton Woods Institutions (BWIs) were at the fore front in the introduction of SAP in Nigeria.[6] Although Structural Adjustment Programmes were designed for individual countries, they however, had common guiding principles and features which included export-led growth, privatisation and liberalisation, and the efficiency of the free market. Structural Adjustment Programmes generally required countries to devalue their currencies against the dollar, lift import and export restrictions, balance their budgets and not overspend, and then remove price controls and state subsidies as well as non tolerance of corruption. According to the programme, devaluation of currencies of the countries that embraced the SAP would make their goods cheaper for foreigners to buy, and theoretically foreign imports would be more expensive. In principle it should make the country wary of buying expensive foreign equipment. In practice, however, the IMF actually disrupted this by rewarding the country with a large foreign currency loan that encouraged it to purchase imports.[7]

The Nigerian SAP was not an exception; it was designed to fit the standard IMF-World Bank structural adjustment package. The programme was meant to effectively alter and restructure the consumption and production patterns of the Nigerian economy, and to

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[4] J.C. Anyanwu, "President Babangida's Structural Adjustment Programme and Inflation in Nigeria", *Journal of Social Development in Africa*, Vol. 7, No. 1, 1992, p. 6.

[5] See A.A. Abdulkadir, "A Survey of Monetary Policy in Nigeria, 1986-2007", *Kano Journal of History*, Vol. 1, No. 1, June 2014, p. 22.

[6] Bretton Woods Institutions are the International Bank for Reconstruction and Development, (IBRD), later the World Bank, the International Monetary Fund (IMF) and the International Trade Organization (ITO). They were created in Bretton Woods, New Hampshire in 1944 during the United Nations Monetary and Financial Conference at the Mount Washington Hotel attended by 43 countries. At the conference, member nations agreed to create a family of institutions to address critical issues in the international financial system. Their aims were to help rebuild the shattered postwar economy and to promote international economic cooperation. See V. Dike, "The Bretton Woods Institutions and the Third World: Impact of Loan 'Conditionalities' on Domestic Economy- With Emphasis on Nigeria", available online at http://nigeriaworld.com/feature/article/bretton.html, retrieved on Friday, 6th March, 2015.

[7] A. Olukoshi, "The March of Adjustment in the Nigerian Economy", in A. Olukoshi (ed.), Crisis and Adjustment..., *op.*cit, p. 65.

eliminate heavy dependence on the export of crude oil and imports of consumer and producer goods. It was a programme claimed by the authorities to have combined a nexus of measures to promote economic efficiency and long term growth, with stabilisation policies designed to restore balance of payments equilibrium and price stability. The Nigeria's SAP was indeed, further intended to discourage primitive accumulators, and to encourage capitalist accumulators in the economy. Moreover, the emerging structure of dependent capitalism envisaged only a supportive role for the government in a refurbished economic environment of highly reduced government ownership and control of agricultural and industrial enterprises.[8]

By 1983, Nigeria's short term trade arrears, amounting to over ₦4 billion, had accumulated while unemployment was aggravated and serious balance of payments deficits incurred. Nigeria, under Shagari regime, had to apply to the IMF for a three year extended facility loan of $2.3 billion. The IMF made seventeen conditions for such a loan, and negotiations dragged on through the Buhari regime to the Babangida regime until 1985 when, through public debate, the loan was rejected. Prior to the rejection, agreement had been reached on some conditions, but not the bitter pills of trade liberalization, the removal of a petroleum subsidy, and the devaluation of the Naira. Following the rejection of the IMF loan, coupled with the traumatic economic crisis being witnessed by the economy prior to July 1986, the Babangida administration introduced the economic recovery programme, the SAP in July 1986.[9]

Although there was a national debate as to whether Nigeria should take the IMF facility or not; the debate was however, entirely unnecessary because the authorities had already made the decision to obtain the facility. Their perception of reality was that

[8] J.C. Anyanwu, "President Babangida's Structural Adjustment Programme..., *op.cit*, p. 6.
[9] B.C. Ogbonna, "Structural Adjustment Programme in Nigeria: An Empirical Assessment", *Journal of Banking*, Vol. 6, No. 1, 2012, p. 20.

Nigeria could indeed develop a capitalist economy if the structural bottlenecks and rigidities were removed. Therefore, the implementation of the SAP was a conscious effort by Nigeria's policy-makers of the time, who believed that the crisis in a developing capitalist economy such as Nigeria was, and could be solved through SAP particularly as efforts at stabilization had proved fruitless. However, the historical reality in Nigeria shows that the SAP was principally introduced and implemented to resolve the Nigerian economic crisis in favour of the imperialist countries, against Nigeria.

From the foregoing therefore, the main cardinal objectives of the SAP in Nigeria were:

(i) To restructure and diversify the productive base of the economy

(ii) To achieve fiscal stability and positive balance of payments

(iii) To set the basis for a sustained non-inflationary or minimal inflationary growth, and

(iv) To reduce the dominance of unproductive investments in the public sector.[10]

The second and third objectives of the SAP, were aimed at transforming the Naira from unstable currency in terms of its domestic value and in relation to its foreign exchange rate particularly to US dollar, as well as transforming it from the currency that experienced balance of payments deficit; to a stable one that would experience favourable balance of payments and non-inflationary growth. The corresponding programme instruments for achieving the two objectives therefore were; adoption of a realistic exchange rate policy through the establishment of Foreign Exchange Markets (FEM) and the adoption of appropriate pricing policies for public enterprises. The proponents of the adjustment programme thus, believed that if every element in the package was set in

[10] U. K. Bello, "Fiscal Policy Implications of Structural Adjustment Program", a Paper Presented at the First National Biennial Conference of the Faculty of Business Administration, University of Lagos, Lagos, Nigeria, October, 26-28, 1987. The author was the Permanent Secretary in the Federal Ministry of Finance in Nigeria at the time the program was introduced in 1986.

motion in the medium term, an ailing economy would be set on a path of sustained non-inflationary growth.[11]

The central policy action of the SAP was correction of what the government perceived as the over-valued Naira to achieve a "realistic exchange rate". This was initially by the means of the Second-tier Foreign Exchange Market (SFEM) for a competitive market oriented allocation of foreign exchange with its downward adjustment of the Naira exchange rate. The SFEM became operational from September 26, 1986. It came after the government had promulgated the Second-tier Foreign Exchange Market Decree 1986 in August. The Decree set out the nature and conditions for trading in foreign currencies and foreign exchange instruments.[12] It was in view of achieving this noble objective of the programme, that the two monetary policies of devaluation of Naira and deregulation of interest rates were put in place during the SAP. These would be discussed in detail below.

6.3 Devaluation of Naira

Devaluation is a reduction in the value of a currency with respect to those goods, services or other monetary units with which that currency can be exchanged. It also means official lowering of the value of a country's currency within a fixed exchange rate system, by which the monetary authority formally sets a new fixed rate with respect to a foreign reference currency.[13] Devaluation is a monetary policy tool of countries that have a fixed exchange rate or semi-fixed exchange rate. It is one of the global public policies prescribed by the Bretton wood institutions for economic recovery in countries that found themselves in economic hardships and what the institutions considered as overvaluing condition of

[11] See A.H. Ekpo, "The Economics of Structural Adjustment and the Adjustment of Economics", *9th Inaugural Lecture*, Delivered in the University of Uyo, Community Centre, 28th January, 2004, p. 3.
[12] E.C. Ndekwu, *First Bank of Nigeria..., op.cit*, p. 164.
[13] A. Fidelis, "People's Perception of the Impact of Currency Devaluation on the Performance of Poverty Alleviation Programmes in Nigeria", *Developing Country Studies*, Vol. 4, No. 10, 2014, p. 7.

their currencies. It is a macro-economic fiscal policy that bothers on deliberate reduction in the value of home currency with the aim of maximizing gain in tradable items.[14] This policy is not only necessary for reversing balance of payment deficit but also to finance programmes that stimulate growth and standard of living. Goods and services are cheaper in a nation where currency is devalued compared to another. The reduction in prices of goods and services will stimulates trading activities in that country with overall purpose of enhancing economic growth and development to the alleviation of poverty. This concept is regarded by IMF and World Bank as instrument for fiscal equalization and stability, particularly in the sub-saharan Africa where many countries are indebted to these financial institutions.[15]

Devaluation of currency became popular in Nigeria when Babangida led administration instituted the SAP in 1986 as a policy designed to achieve a realistic exchange rate for the Naira that was thought to be over-valued. The over value of the Naira was actually unhealthy for economic growth and development of the nation since overvalued currency further worsened balance of payment problem. On the basis of this, the nation was advised to accept devaluation policy as requirement for economic recovering.[16]

In his address to the nation on October 1st, 1985, President Babangida declared a state of National Economic Emergency for a period of fifteen months. He also announced the adoption of SFEM in his address to the nation on June 27th, 1986. It was subsequently introduced in September, 1986 and was a progressive devaluation of the Naira, which of

[14] *Ibid.*
[15] *Ibid*, pp. 7-8.
[16] M.P. Todaro, *Economics for Developing World: An Introduction to Principles, Problems and Policies for Development*, 1981, p. 516.

course received the blessings of the IMF and the World Bank.[17] According to Yauri,[18] in adopting the SFEM, Nigeria had to abolish the ex-factory price controls set by the Prices, Productivity, and Income Board (PPIB) as well as 30% extra charge and import licensing system. This reduced the country's import prohibition list substantially and promoted exports through fiscal and credit incentives and by allowing those selling abroad to retain foreign currency.

The aim of adopting the SFEM under the umbrella of SAP regime was to determine the realistic external exchange rate value of the Naira. The objectives of the SFEM were to:

(a) Abolish import licensing system, commodity marketing boards and remove price control.

(b) Replace import prohibitions with tariffs.

(c) Reduce export prohibitions to a handful of commodities.

(d) Introduce a new customs and excise tariff.[19]

It should however be noted that the devaluation of the Naira during SAP was not based on any known international economic indicators as nobody could explain how the CBN arrived at the black market price to determine the value and devaluation of the Naira . The IMF had insisted that unless Third World nations devalued their currencies and stopped subsidising some basic social services such as health, public education, they would never attain development. By devaluing the currency and simultaneously removing price controls, the immediate effect of the SAP was generally to hike prices up three or four times, increasing poverty to such an extent that riots were a frequent result. Similar

[17] B. Okuntola, "The Babangida Years and Private Sector's Initiatives in the Restructuring of the Nigerian Economy, 1985-1993", *African Nebula,* issue 5, 2012, p. 35.
[18] N.M. Yauri, "The Impact of Foreign Direct Investment on the Performance of Nigerian Manufacturing Firms", *PhD (Management Studies),* UDUS, 2005, p. 171.
[19] B. Okuntola, "The Babangida Years and Private Sector's Initiatives...", *op.cit*

situations were witnessed in Nigeria following the adoption of the SAP as an economic recovery measure during the late 1980s and early 1990s. Riots particularly of the students of tertiary schools and strike by public servants became the order of the day. Therefore, the application of this economic suicide called new monetary policy did not augur well for Nigeria; it was even the beginning of the economic meltdown of the country.

6.4 Deregulation of Interest Rates

Deregulation is a removal or relaxation of government regulation of economic activities.[20] Its advocates argue that excessive regulation increase costs and restricts entry to markets in industry, finance and transport, and that consumers are better protected by competition. Whereas, critics of deregulation argue that it can result in lower standards of service and greater financial risks to customers, and that more competition may prevent some socially valuable services being paid for by cross-subsidization from the monopoly profits on other services.[21] Deregulation of interest rate here therefore, refers to the removal of government regulation on the interest rates charged by banks, a condition which prevailed in Nigeria prior to the introduction of SAP. Following the introduction of the SAP, bank deposit and lending rates were deregulated in August 1987. Consequently, this action resulted in upward increase of interest rate all over the country. Thus, by 1991 the CBN in a reaction to rising nominal lending rates in the market for loans, had to prescribe a maximum margin between the bank's average cost of funds and their maximum lending rates as well as a minimum level for their savings deposit rates. The apex bank further prescribed that henceforth, interest rate determination was still supposed to be market-related through its link to the cost of funds. The deregulation of interest rates remained one of the most controversial steps taken in the liberalisation efforts in Nigeria. It

[20] J. Black, Oxford Dictionary of Economics..., *op.cit*, p. 117.
[21] *Ibid*, pp. 117-118.

had been argued that this premature liberalisation of interest rates was a major factor in the incidence of non-performing loans in the banking system during the 1990's.[22] The ultimate result of deregulation of interest rates during and after the SAP in Nigeria was inflation and continuous falling value of the Naira. The inflation was as a result of making money available in the hands of people for borrowing by banks, since interest rates became no longer regulated by the government.

6.5 Effects of SAP on the Nigerian Currency

The most important effect of SAP on the Nigerian currency (the Naira), was visible in the declining and continuous falling value of the country's currency in terms of its purchasing power internally, and in relations to foreign exchange rates particularly the Naira -dollar exchange rates. The most glaring effect of the SAP on the Nigerian currency was therefore, found in the dwindling value of the Naira ever since the commencement of the programme in 1986. For instance, before the introduction of SAP one US dollar was exchanged for 89 Nigerian kobo (less than one Naira, since 100 kobo was equivalent to one Naira). But when the SAP was introduced later that year, the dollar was exchanged for 1.756 Naira and the main complaint among corporate executives was that there was insufficient foreign currency especially the dollar, to exchange for the volume of Naira available. This was a negative effect on the value of the Naira and it was as a result of the devaluation of Naira which was an important component of the SAP. As the dollar was exchanged for more Naira, companies became cash-strapped; they could not get enough Naira to exchange for dollars. Subsequently, the dollar was exchanged for ₦4.016 in 1987, ₦5.35 in 1988, ₦9.93 in 1991 and ₦22 Naira in 1993. By 1995 Nigerians were exchanging ₦22 for $1USD in the official market and ₦24 for $1USD in the parallel

[22] S.I. Ikhide, "Financial Sector Reforms and Monetary Policy in Nigeria", IDS Working Paper, 68, 1996, p. 26.

market.[23] By the beginning of 2015, one US dollar was exchanged for up to two hundred and twenty five Nigerian Naira, and today (July, 2015) Nigerians need ₦196.95 (official price) and from ₦239 to ₦240 at parallel market in exchange for $1USD.[24] The table below, reflects a dwindling value of the Naira in relations to US dollar from the time when the SAP was introduced in Nigeria to the year 2009, the terminal point of this chapter. The table however, began from 1985, the year preceding introduction of the programme for comparative purpose. Similar table indicating Naira exchange rates to US dollar and British pound from 1973 to 1985 has already been presented in chapter five.

[23] F.E. Ogbimi, "Structural Adjustment is the Wrong Policy"..., *op.cit*, p. 4.

[24] Alhaji Aliyu Sahabi 'Yar Abba (Chairman, Sokoto State Association of Bureau De Change), at his office, No. 123, Sultan Bello Road Tsohuwar Kasuwa, Sokoto, on Sunday 12th July, 2015. Information on the official value of Naira —dollar exchange rate is also always available at the official website of the CBN at http://www.cbn.gov.ng/rates/ExchRateByCurrency.asp

Table 6.1: Naira exchange rates to US dollar, 1985 to 2007

Year	Nigerian Naira (NGN)/U.S. Dollar (USD)
1985	0.89
1986	2.02
1987	4.01
1988	4.53
1989	7.39
1990	8.04
1991	9.91
1992	17.29
1993	22.33
1994	21.89
1995	21.89
1996	21.89
1997	21.89
1998	21.89
1999	91.80
2000	101.70
2001	111.90
2002	120.50
2003	129.3
2004	133.5
2005	131.1
2006	128.5
2007	127.4
2008	120
2009	145

Source: CBN Quarterly Statistical Bulletin, Quarter Four, Vol. 3, No. 4, December, 2014, pp. 69-71.

It is clear from the above table that effective from 1986 when the Naira was devalued under the auspices of SAP the currency had never regain its value of exchange rate to the US dollar. As shown above, up to the year 1985, the Nigerian Naira was stronger than the US dollar for it was only 89k that was exchanged for a dollar. The devaluation of Naira brought about by the SAP was therefore, a watershed in the history of Naira-dollar exchange rates although; a relatively stable rate was recorded during the period from 1993 to 1998. There was also a margin difference in the Naira -dollar exchange rates in 2007 and fairly significant difference in 2008 both in favour of the Naira, and this was not unrelated with the worldwide economic meltdown experienced during the period.

Other manifestations of impact of the Naira devaluation on the country's currency system include; the disappearance of coins and the fact that coins and lower denomination bank notes bought insignificant things in Nigeria. For instance, the ₦5, ₦10 and ₦20 notes were highly insignificant in terms of what they could buy in the country. This was in addition to the fact that for quite sometimes there was virtually nothing sold in Nigeria for 1k, 10k, 50k, ₦1 and ₦2 despite their existence in theory. Devaluation of the Naira had therefore killed and its impact will continue to kill coins denominations in practice in Nigeria, as they can only be seen in writing.[25] According to Sanda, Nigeria's currency suffered "from not having perfect property of divisibility and under this kind of circumstance goods tend to be overpriced". For instance, a commodity that would have cost ₦4 was priced for ₦5. This deprived buyers having balance of their limited income. This also explains why in Nigeria today, any transaction that has to do with having payment balance in coins denominations cannot be carried out. Surprisingly, even deposit

[25] B.C. Ogbonna, "Structural Adjustment Programme (SAP) in Nigeria: An Empirical Assessment", *Journal of Banking*, Vol. 6, No. 1, June 2012, p. 22.

money banks who are the custodians of the country's currency, do not issue coins to their customers as transactions in coins normally ends on papers. This is opposite of what obtains in the developed economies. For instance in England, a commodity could be sold for 5.99 pounds instead of 6 pounds. In that way, a penny would be kept in circulation since the person buying a commodity of 6 pounds for 5.99 pounds would be given a balance of one penny. With that coin, a person could buy a cup of water from a water dispensing machine.[26]

Professionals have attributed the insignificance of lower denominations in the Nigerian economy to inflation which emanated from the continuous depreciation of value of the Naira in the foreign exchange market. When there is depreciation of a country's currency at the foreign exchange market, the value of imported goods would definitely rise and ultimately this will cause inflation. Consequently apart from few and in most cases insignificant commodities, the ₦5 note which is the least bank note denomination in Nigeria, can hardly buy anything not alone to talk of coins. Thus, inflation has contributed to the problem of near disappearance of lower currency denominations in Nigeria. When inflation is out of control, some currencies are definitely bound to exit from circulation and this was the situation with the case of coins up to 2009 and of course until today in our study area in particular and in the whole Nigeria.[27]

Moreover, the attitudes of Nigerians towards coins and deposit money banks toward lower denominations have contributed to the disappearance of the former and irrelevance of the latter in the country's economy. Nigerians were no longer accepting coins for any transaction, complaining that they were not portable and we all know that portability in one of qualities of good money. This was of course in addition to the fact that

[26] Oral interview with Ahmad Sanda (Professor of Financial Economics), 55 years, Department of Economics, Usmanu Danfodiyo University, Sokoto, on Sunday 16th August, 2015.
[27] *Ibid.*

they virtually bought nothing and even deposit money banks as well as the CBN were not accepting them as deposit, despite their continuous being legal tender. The failure of banks to put lower denominations in the ATMs was another factor that made them scarce thereby relegating their significance in our societies.[28] A country like Nigeria which had larger segment of its population residing in rural areas and mostly living on lower denominations is therefore bound to experience more negative consequences of not using the lower currency denominations. Some of the consequences include increasing hardship and difficulty in terms of source of livelihood as well as further widening of gap between haves and have-nots. Consequently, poverty, theft, hunger, illiteracy, arm robbery, currency counterfeiting, and general insecurity become order of the day in the former Sokoto Province in particular and in Nigeria in general; the ultimate result being continuous impoverishing of both the country's local and national economy.[29]

Also, until 1986 Nigeria operated a fixed exchange rate system. This means that devaluations were implemented administratively from time to time to make sure that the official exchange rate did not deviate substantially from the market determined exchange rate. However, with effect from September, 1986, a market based exchange system was put in place thereby causing the exchange rate of the Naira to the United States dollar to depreciate significantly in response to domestic and international developments. The desired competitiveness of the exchange rate, however, seems to be constantly eroded with foreign exchange supply bottlenecks that follow the waning non-oil production cycles. These have in turn led to high inflation rates that have marred the economy over the SAP implementation period leading to negative Real Effective Exchange Rate (REER) which in

[28] Habibu Isah Muhammad (Head of Marketing), Sterling Bank, Birnin Kebbi Branch, Saturday, 23rd August, 2015.
[29] Ahmad Sanda..., *op.cit*; Oral interview with Alhaji Umaru (Sarkin Kanwan Sarkin Musulmi), 65 years, at his residence, Sabon Birni Area, Sokoto, on Saturday 29th August, 2015.

turn have harmed the manufactured exports.[30] Thus, Yauri, argue that the devaluation (contrary to SAP expectations- increase in the volume of export, improvements in the balance of payment position and possibly more foreign direct investment); further sent Nigerian manufacturing firms and indeed the entire economy, into a prolonged period of crisis.[31]

The introduction of SAP also witnessed a shift from repressive direct monetary control to an indirect approach based on the utilization of market instruments in monetary operation. This was meant to eliminate distortions and inefficiencies in the financial system occasioned by the prolonged use of administrative controls and the dire need to bring about competition amongst banks and other operators in the financial system.[32]

Another important effect of the SAP initiated in 1986 by the Babangida administration was that, the programme brought to an end the kind of banking services rendered by the first generation banks, which have been described as 'arm-chair banking'.[33] The SAP brought about deregulation and liberalization of the financial sector. The financial deregulation was greeted with innovations such as deregulated interest rates, severe competition and expansion in size and number of the banking institutions in the country. As the number of banks grew tremendously from 40 in 1985 to 125 in 1991, the SAP made possible the licensing of more banks.[34] The programme thus, changed not only

[30] B.C. Ogbonna, "Structural Adjustment Programme..., *op.cit*, pp. 22-23.
[31] N.M. Yauri, "The Impact of Foreign Direct Investment...", *op.cit*, p. 175.
[32] A.A. Abdulkadir, "A Survey of Monetary Policy in Nigeria..., *op.cit*, p. 23.
[33] 'Arm-chair banking' was a period up to 1988 in the Nigerian banking sector. It was a kind of banking system in which bank services are predominantly rendered manually. During the period, banks were few in the country and were patronized by the indigenous people who had no alternative. The big four banks Union Bank of Nigeria (UBN), United Bank of Africa (UBA), Afribank and First Bank of Nigeria (FBN) controlled the market share. The entrance of new generation banks like Guaranty Trust Bank (GTB), Zenith Bank, Diamond Bank, Oceanic Bank, etc from 1989, however, changed the tempo and tide of banking industry in the country as new technologies were introduced. For more on this, see I.O. Ailemen, "Empirical Evidence of Financial Services Marketing in the Nigerian Banking Industry", *Journal of Applied Finance & Banking*, Vol. 4, No. 1, 2014, p. 105.
[34] I.D. Adewuyi, "Electronic Banking in Nigeria: Challenges of the Regulatory Authorities and the Way Forward", *International Journal of Economic Development Research and Investment*, Vol. 2, No. 1, 2011,

the structure but also the content of banking business in Nigeria. The increased competition led to greater risk-taking by banks which consequently resulted in the insolvency, failure and distress of many banks in the 1990s. This further resulted in more competition in the banking industry, liberalization of license process and the establishment of Nigeria Deposit Insurance Corporation (NDIC), which was established in 1988 to protect depositors from bank liquidation.[35]

Although Nigeria had implemented SAP as an official programme of the government for almost three decades now, none of its objectives has been achieved, and there is no indication that any of them can be achieved using the chosen programme instruments. Indeed, all that is still conspicuously present in Nigeria is the foreign exchange market and the ceremonies associated with it. The situation is not different in Ghana, Zambia, and other African nations who implemented the SAP. By its nature, the SAP itself was inflationary because it increased the amount of the local currency used in buying a unit quantity of local goods and imports. It was also inflationary because it was based on the fallacy that capital was the primary basis of economic growth, which by extension implied that the mere establishment of banks in an artisan economy automatically transform it into a monetized and advanced economy.[36]

To sum it all, as a result of the introduction of SAP, Nigerians had gone through the worst economic hardship for the past 29 years. The programme (SAP) exhausted everybody, except those in control of government treasuries. In essence, the adoption of SAP and devaluation of the Naira destroyed the Nigerian economy and the result was

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pp. 150-151. See also, C.U. Uche, "The Future of the Past in Banking", *An Inaugural Lecture* Delivered at Main Hall, University of Enugu Campus, on 30th August, 2007.

[35] D. Pat and O. James, "Effects of the Consolidation of the Banking Industry on the Nigerian Capital Market", *Journal of Economics*, Vol. 2, No. 1, 2011, p. 59. According to this source, there were 8 reported distressed banks in 1991, 16 in 1992, 38 in 1993, 55 in 1994, 60 in 1996 and 43 in 1997.

[36] F.E. Ogbimi, "Structural Adjustment is the Wrong Policy", *African Technology Forum*, Massachusetts Institute of Technology, Vol. 8, No. 1, 2001, p. 2.

unemployment of our able-bodied youths, who roamed the major streets of Nigerian cities in search of jobs that were not there, while insecurity became feasible everywhere. Insurgents and armed robbers also operate with impunity, leaving on their trail, blood of innocent people and other security agents particularly soldiers and police men who they perceived as enemies disturbing their operations. Despite the attempt to cushion the adverse effects of the SAP, its negative consequences were so overwhelming that it was 'abandoned' in 1992 as a programme, though some of its elements continued to torment the economy and society of Nigeria. The climax of the negative consequences of SAP in Nigeria was the outbreak of poverty related crises and conflicts, which however, took ethno-religious dimensions such as Kafancan crisis in Kaduna State, Ife-Modakeke crisis over land dispute between the people of Ife and Modakeke in Osun State, indigene-settler conficts in Plateau State, Jos students violence and demonstrations, etc. It is therefore, now apparent that the damage had already been done by the programme and even post-SAP Nigeria is still suffering from its negative effects.

6.6 The Establishment of Nigeria Deposit Insurance Corporation (NDIC)

A 'Deposit Insurance Scheme' (DIS) is an arrangement whereby a designated agency (usually government- owned) guarantees deposits in the insured financial institutions. The guaranty is usually limited to discourage moral hazard, a situation whereby the financiers and depositors would care little about the safety of the deposits because such deposits are fully insured. Most deposit insurance agencies act as liquidators of failed insured institutions while some, in addition, act as supervisors of insured institutions as well.[37] One of the problems facing financial sectors particularly the banking sector in both developed and developing countries is the phenomenon of bank distress. No

[37] E.C. Emenike, "Performance of the Nigeria Deposit Insurance Corporation (NDIC)", *African Research Review*, Vol. 8. No. 3, 2014, p. 103.

matter the cause or origin, once a bank starts showing signs of distress, the confidence of the customers of such bank gradually become eroded. In Nigeria, the decision by the I.B.B led Federal Military Government to establish the NDIC in 1988 was informed by a number of factors chief of which was the country's past bitter experience of bank failures. Others included lessons of other countries' experiences with deposit insurance schemes, increased competition in the banking industry caused by multiplicity of banks as a result of deregulated interest rates, the need for effective supervision and prudential regulation as well as change in government bank support policy.[38] It was thus, in reaction to bank distresses of the late 1980s caused by the SAP, that the NDIC was established in 1988, as an explicit deposit insurance scheme under the Nigerian Deposit Insurance Corporation Decree No. 22 of 1988, which established the corporation and vested it with the responsibility of implementing the system in the country. It subsequently commenced operations in March, 1989.[39] The scheme was therefore, introduced to provide a further layer of protection to depositors and complement the CBN's supervisory activities in ensuring a safe and sound banking system.

Section 1 (1) of the NDIC Act provides for its establishment to maintain stability and public confidence in the banking sector by guaranteeing payments to depositors in the event of failure of insured institutions as well as promoting safe and sound banking practices through effective supervision. It is an autonomous regulatory body with powers to examine the books of insured banks and other deposit-taking financial institutions and to restrict the activities of banks found not to be in compliance with regulations. It can also arrange for other banks to assume the deposit liabilities of a failing bank or take over the

[38] G. A. Ogunleye, "Deposit Insurance Scheme in Nigeria: Problems and Prospects", a Paper Presented at the First Annual Conference of International Association of Deposit Insurers, at Basel, Switzerland May, 2002, p. 2. The presenter was a former Managing Director and Chief Executive of the NDIC.
[39] G.A. Ogunleye, *Perspective on the Nigerian Financial Safety-Net*, Abuja, NDIC, 2010, P. 154.

management of a bank where such action becomes necessary to protect depositors' interest.[40]

The headquarters of the NDIC was formerly located at Lagos but later relocated to Abuja (The Federal Capital of Nigeria) situated at 447/448 Constitution Avenue, Central Business District. The Lagos office was later converted to Special Insured Institution Department (SIID) of the corporation, and it was responsible for 'risk base supervision' of the banks across the country. It is worth noting that before the establishment of Sokoto office, it was Kano Zonal office of the NDIC that was in-charge of banks supervision in the former Sokoto Province (Sokoto, Kebbi and Zamfara states).[41] At the moment, there are eight (8) zonal offices of the NDIC in Nigeria which are responsible for compliance and bank examinations of the deposit money banks and microfinance or primary mortgage banks. They are: Bauchi, Benin, Enugu, Ilorin, Kano, Port Harcourt, Sokoto and Yola Zonal offices.[42] The Sokoto Zonal office, established alongside Port Harcourt and Yola Zonal offices later in February, 2012, has been responsible for bank supervision of all deposit money banks (on receiving instruction from the headquarters), as well as all the microfinance or primary mortgage banks in the study area i.e. Sokoto, Kebbi and Zamfara states. It is located at No. 2, Gusau Road, Opposite NNPC Mega Station, Sokoto.[43]

6.7 Mode of Operation of the NDIC

The NDIC operates under the Nigeria Deposit Insurance Corporation Act (1990). It was and still a member of the Financial Reporting Council of Nigeria. It also

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[40] P. Aguolu, *Financial Institutions in Nigeria*, Onitsha, Adson Educational Publishers, 2009, p. 17.
[41] Malam Shafi'u Muhammad (Head of Establishment), NDIC Zonal Office, Sokoto, on Wednesday, 22nd July, 2015.
[42] See *Basic Knowledge on Banking and Deposit Insurance*, a Pamphlet Published by the NDIC, 2013, pp 22-24.
[43] Malam Shafi'u Muhammad..., *op.cit.* The researcher was also at the building of NDIC Sokoto zonal office located at Gusau road, Sokoto.

complemented the regulatory and supervisory role of the CBN in the liquidation of distressed banks and management of their assets until they are fully liquidated, although it reports to the Federal Ministry of Finance. Under a 'Purchase & Assumption' arrangement, the NDIC may arrange for the assets and liabilities of a failed bank to be taken over by another bank. For instance, in October 2007, the United Bank for Africa (UBA) assumed the fixed assets and private sector deposit liabilities of African Express Bank (AEB) under direction of the CBN and the NDIC.[44]

Depositors of insured banks are by the law that established the NDIC also allowed to file their claims (which signify that depositors have money in the banks) within 18 months after the bank has been closed. Whenever a bank is closed, and the assets and liabilities of the bank are determined by the NDIC and claims filed by depositors, the NDIC would pay insured deposits of maximum of ₦50,000 from the pool of premium, which is normally being paid by a bank when it was alive. Later, the NDIC would embark upon the sale of assets of the bank while debts are recovered from their debtors. The proceed would, then be used to pay liquidation dividend (excess deposit amount above ₦50,000) to depositors of the bank. If there is any amount remaining after all depositors have been paid, the money would be used to settle creditors and then later, share holders of the bank.[45]

However, following enactment of the NDIC Act, 2006 the maximum insured deposits to be paid by the NDIC had since then been reviewed upward to ₦500,000 and ₦200,000 for money deposits and microfinance banks respectively.[46] Henceforth, the NDIC pays up to a maximum of ₦500,000 (insured amount) for each depositor in respect of deposit held in each deposit money bank or non-interest bank and ₦200,000 (insured

[44] A. Idris, "UBA Takes Over Afex Bank, Pays out ₦ 9bn to Customers of Acquired Banks", *Daily Sun Newspaper*, Wednesday 10th October, 2007, p. 17.
[45] E.C. Emenike, "Performance of the Nigeria Deposit..., *op.cit*, p. 105.
[46] Malam Shafi'u Muhammad..., *op.cit.*

amount) for each depositor in microfinance bank or primary mortgage bank. It has been a responsibility of banks to bear the cost of protection enjoyed by their depositors. That cost of protection being paid by banks for their depositors to insurance services in the event of distress or collapse is called 'premium'.[47] This implies that the protection which the depositors enjoyed under the deposit insurance scheme administered by the NDIC was free for the depositors.

It is important at this point to note that the CBN in conjunction with the NDIC had begun a process of bank restructuring in 1990. Initially, 6 insolvent banks were identified and were allowed self-restructuring under the close supervision of the CBN and NDIC. However, since then, there was an increase in the number of insolvent banks in the system. Since late 1992, a joint committee of the CBN and NDIC involving a sector of the Banks and Other Financial Institutions Decree (BOFID) had assumed greater control over distressed banks. Thus, banks took over by the CBN had their Board of Directors dissolved and an interim management board appointed to exercise powers normally vested in the Board of Directors of a bank and some turn-around measures, including the downsizing of operations through rationalisation of staff and branch-network. The Boards are also empowered to appoint independent firms of auditors to ascertain the true financial condition of each of the banks. Thereafter, appropriate restructuring or liquidation options would be adopted.[48] A typical example of this scenario took place in the banking sector of Nigeria later in 2011, when the NDIC after due consultations with the CBN and the Federal Ministry of Finance and through the Asset Management Corporation of Nigeria (AMCON), established in July, 2010, opted for the use of 'bridge bank' mechanism to resolve the failure of Afribank Nig. Plc, Bank PHB Plc and Spring Bank Plc.

[47] Basic Knowledge on Banking and Deposit Insurance..., *op.cit*, P. 21.
[48] S.I. Ikhide, "Financial Sector Reforms...", *op.cit*, p. 28.

Consequently, the NDIC incorporated three (3) bridge banks, namely: Mainstreet Bank Ltd, Keystone Bank Ltd and Enterprise Bank Ltd; to assume the assets and liabilities of the aforementioned failed banks.[49]

6.8 Effects of NDIC on the Nigerian Monetary System

The establishment of NDIC following the deregulation of the financial system under the SAP was to provide a further layer of protection for depositors, promote financial stability by complementing the supervisory activities of the CBN in ensuring a safe and sound banking system. According to the mission statement of the NDIC, it was established:

> To protect depositors and contribute to the stability of the financial system through effective supervision of insured institutions, provision of financial and technical assistance to eligible insured institutions, prompt payment of guaranteed sums and orderly resolution of failed insured institutions.[50]

Since the NDIC was established to ensure the safety of bank deposits, it was therefore a body helping to ensure peace and stability in the banking sector.[51] The corporation has to a larger extent so far, achieved some of these by working in collaboration with other safety net participants particularly the CBN, during the twenty seven years of its existence. Depending on the severity and peculiarity of the distress, the NDIC in collaboration with the CBN, has, over the years, successfully adopted such measures as provision of financial assistance, imposition of prompt corrective actions, assumption of control and management, restructuring and sale of some distressed banks as

[49] The term 'bridge bank' refers to a temporary bank established and operated usually by a deposit insurer to acquire the assets and assume the liabilities of a failed bank until a final resolution is accomplished. It is said to have originated from the United States of America (USA), following the enactment of the Competitive Equality of Banks Act of 1987. The United States, through the Federal Deposit Insurance Corporation (FDIC), was therefore the first to establish a bridge bank in 1987. For more on this and resorting to bridge bank mechanism in Nigeria, see NDIC, *Bridge Bank as a Failure Resolution Option in Nigeria*, Abuja, 2013, p. 10 and p. 29.

[50] NDIC, "A brief on Nigeria Deposit Insurance Corporation (NDIC) to the House Committee on Banking and Currency", p.1.

[51] Ahmad Sanda..., *op.cit.*

well as liquidation of the terminally distressed banks as a last but unavoidable option.[52] The corporation has therefore, recorded remarkable progress towards restoring stability and soundness to the Nigerian banking system. Hence, it has successfully minimised fear of distress and failure of banks from the minds of Nigerians and relatively restored their confidence in the banking sector.[53]

Another area in which the NDIC impacted on the Nigerian monetary system is in the area of promotion of financial literacy in the country. By financial literacy, it means basic money management skills like budgets, savings, investments and insurance. It can also be defined as the ability to use knowledge and skills to manage one's financial resources effectively for life time financial security.[54] Being one of the major stakeholders in the Nigerian financial system, the NDIC embarked on studies on financial literacy with a view to assessing its level and identifying areas that requires prompt action in the country. This, the corporation achieved later in 2013 by publishing a report titled, "Financial Literacy in Nigeria: A Study Report."[55] The report captured areas of money management, financial behaviour, financial planning, financial knowledge and financial experiences. It among other things examined Nigerians and their attitude to money; how they earned it, how they managed it, how they saved it and how they spent it. The report finally, revealed that larger population of Nigerians need to be better educated on the importance of tracking their expenses and how to go about it. It further revealed the need for Nigerians to exhibit good financial behaviour such as keeping themselves informed about personal money management and seeking for financial advice from professionals.[56] The report is indeed a contribution to financial awareness and literacy in Nigeria.

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[52] G. A. Ogunleye, "Deposit Insurance Scheme in Nigeria...", *op.cit*, p. 7.
[53] NDIC, "A brief on Nigeria Deposit Insurance Corporation…", *op.cit*, p. 1.
[54] See NDIC, *Financial Literacy in Nigeria: A Study Report*, Abuja, NDIC, 2013, P. 9.
[55] Malam Shafi'u Muhammad..., *op.cit.*
[56] NDIC, *Financial Literacy in Nigeria..., op.cit*, p. VI.

6.9 Bank Consolidation Policy

The banking system plays fundamental role in the growth and development of any financial system in particular and economy in general. In fact, the health of the banking system of a nation determines the well-being of its financial sector. The consolidation in the banking industry of the first decade of this millennium by the CBN through the recapitalization to ₦25 billion was monumental to the growth of sound financial sector in Nigeria. The policy, which is the most recent era in the history of modern banking industry in Nigeria (the era of bank consolidation 2005 till date), started in 2004 when the CBN mandated all commercial banks to meet the ₦25 billion minimum paid-up capital by 31st December, 2005. In compliance with this policy, the banks used various mechanisms to comply e.g. mergers and acquisition, initial public offerings (IPDs), foreign equity participation, group consolidation etc.[57]

During implementation of the policy, all the existing 89 banks in Nigeria at the time went to the capital market to raise funds in order meet the new capital base. Following compliance with mechanisms of the consolidation, particularly the mergers and acquisition, the number of banks in Nigeria were initially reduced from 89 to 25.[58] However, after the merger of Stanbic bank and IBTC to become Stanbic IBTC, the number of commercial banks in Nigeria was again reduced to 24. More acquisitions were also later

[57]The preceding eras were free-banking era (1892-1952), pre-Central Banking (1952-1958), era of banking legislation (1959-1970), era of indigenization (1977-1986) and era of deregulation (1986-2004). See D. Pat and O. James, "Effects of the Consolidation of the Banking Industry on the Nigerian Capital Market", *Journal of Economics*, Vol. 2, No. 1, 2011, pp. 57-60.

[58] They were: Access Bank Plc, Afribank Nig. Plc (later, Mainstreet Bank), Citibank Nigeria Limited, Diamond Bank Plc, Ecobank Plc, Equatorial Trust Bank, Finbank Plc, FCMB Plc, Fidelity Bank, First Bank Plc, Guaranty Trust Bank Plc, IBTC, Intercontinental Bank Plc, Nigeria, Oceanic Bank International, Bank PHB Plc (now keystone Bank), Skye Bank, Spring Bank Plc (now Enterprise Bank), Stanbic Bank, Standard Chartered Bank, Sterling Bank, UBA Plc, Union Bank Plc, Unity Bank, Wema Bank and Zenith Bank Plc. See J.A. Afolabi, "Mergers and Acquisition in the Nigerian Banking System: Issues and Challenges", Paper Presented during the Workshop for Business Editors and Finance Correspondents Association of Nigeria, at Manpower Development Institute, Dutse, Jigawa State, 28-29 November, 2011, pp. 2-3. The presenter is a Director, Research, Policy and International Relations Department, Nigeria Deposit Insurance Corporation (NDIC).

witnessed in the banking industry in Nigeria. For instance, Sterling Bank acquired Equatorial Trust Bank in August 2011, Access Bank Plc acquired Intercontinental Bank Plc in January 2012, FCMB Plc acquired Finbank Plc in February 2012, and Ecobank acquired Oceanic Bank International in October 2012.[59] The most recent one is the Skye Bank's acquisition of the Mainstreet Bank which took effect as from May, 2015.[60]

6.10 Effects of Bank Consolidation Policy on the Nigerian Monetary System

The bank consolidation policy in Nigeria has a number of positive effects on the Nigerian economy in general and on the country's monetary system in particular. These include, availability of funds for the small and medium scale enterprises, opportunity for Nigerian banks to explore other regional and international markets, reduction in capital flight, massive and continuous innovations in the banking sector, externally-focused competition and most importantly, the restoration of confidence of Nigerians in the Nigerian banking sector.[61] Other effects are an enlarged and customer base balance sheet for banks, profitability and increased branch network which results in adequate presence across the country, improved perception of the bank by all stakeholders as well as combined-strength and capital base.[62] The consolidation exercise was therefore necessary to eliminate unhealthy banks and ensure more financial and banking stability in the country.[63] Consequently, the existing banks in Nigeria have emerged financially stronger than ever before, the problem of insolvency has thus, reduced drastically.

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[59] See Editorial, "Sterling Bank signs acquisition agreement with ETB", *Vanguard Newspaper*, August 12, 2011; "Access Concludes takeover of Intercontinental Bank" *The Punch Newspaper*, JANUARY 31, 2012 by Agency Reporter; A. Alawiye, "FCMB Completes Finbank's Acquisition", *The Punch Newspaper*, February 13, 2012; and P. Egwuatu, "Ecobank takes over Oceanic Bank", *Vanguard Newspaper,* October 25, 2011. See also, U.C. Angbiandoo, "The Impact of Mergers and Acquisition on the Growth and Survival of Banks in Nigeria: A Case Study of UBA and Access Bank Nig. Plc", *NDIC Quarterly Journal,* Vol. 24, Nos. 3/4 September/December, 2013, pp. 53-89. Also, in an interview with Malam Abdullahi Bawa *op.cit.*

[60] L.Balogun, "Skyebank Formerly Acquires Mainstreet Bank", *The Sun Newspaper,* May 4, 2015.

[61] D. Pat and O. James, "Effects of the Consolidation...", *op.cit,* p. 60.

[62] U.C. Angbiandoo, "The Impact of Mergers and Acquisition...", *op.cit,* p. 59.

[63] Ahmad Sanda, *op.cit.*

Another effect of bank consolidation policy on the monetary system of Nigeria is in the area of Nigerian capital market. The policy impacted positively on the market capitalization and all-share index of the Nigerian Stock Exchange. It reveals potentials of the Nigerian capital market because the market has continued to provide support and funds to many banks in their expansion and development programmes. It has also increased public awareness of the Nigerian capital market and improved competitive strength of the Nigerian banks to conduct business in the global financial markets.[64] Furthermore, the policy created a remarkable transformation not only in ensuring more diversified, strong and reliable banks but also in enhancing banks' liquidity position and their ability to assume risks. This is in addition to stimulation of activities in both the primary and secondary capital markets through increase in aggregate market capitalization, new issues of bank stocks and increased inflow of Foreign Direct Investment (FDI) into the market.[65]

6.11 Metamorphosis of the Nigerian Currency in the former Sokoto, 1991-2009

In 1991, the military government under the leadership of Babangida (1985-1993) marked its presence in the Nigerian currency reforms through the introduction of new ₦50 (fifty Naira) note. The ₦50 note thus, became added to the Nigerian currency in the former Sokoto Province. Re-designing of the Nigerian currency notes and coins was also later proposed. This followed the recommendations of Thomas De La Rue Limited (now De La Rue Cash Systems Limited) Committee – a firm appointed in 1989 by the CBN to undertake a comprehensive assessment of the Nigerian currency. In its report, the firm had recommended the re-designing of the entire currency notes (₦5, ₦10 and ₦20); the introduction of new ₦50, ₦100, ₦500 notes as well as 10k, 50k, ₦1, ₦5, and ₦10 coins.

[64] D. Pat and O. James, "Effects of the Consolidation...", *op.cit*, p. 63.
[65] T. Salako, "Consolidating the Banking Stocks", *Financial Standard*, Vol. 6, 2005, p. 35. For more on Foreign Direct Investment (FDI), see N.M. Yauri, "The Impact of Foreign Direct Investment...", *op.cit*.

These recommendations were, however, not fully implemented as the apex bank managed to introduce only the ₦50 currency note in 1991. In respect of the coins, the CBN initially approved the introduction of a series of 1k, 10k, 25k, 50k and ₦1 coins. But, the government was only able to effect changes in the old 50k (fifty kobo) and ₦1 (one Naira) notes which were converted to coins and then the old ten kobo (10k) coin had its colour and shape changed (see appendix XII). The old five kobo (5k) note was equally scrapped.[66] Henceforth, the 50k and ₦1 as well as the redesigned 10k became legal tender in the study area and in Nigeria as whole.

It was asserted by the government that the currency reforms of the 1991, particularly the introduction of the ₦50 currency note was carried out in response to increased public and private spendings, resulting from Nigeria's excess oil revenue of the Gulf war period. Similarly, the re-designing of the coins of 1991 was received with uneasy calm by certain sections of the Nigerian society. Some Nigerians were inclined to believe that the demonetisation of the smaller denomination was meant to depreciate the value of the currency, which was of course an important objective set to be achieved by devaluation of the SAP regime. There were also reported incidents of people amassing the coins and melting same for ear-rings.[67]

The next set of changes in the Nigerian currency system popularly known as 'the millennium package' was in response to expansion in economic activities and to facilitate an efficient payments system and it occurred in 1999. This time the ₦100 note was introduced in December 1999, the ₦200 note in November 2000, the ₦500 note in April 2001 and the ₦1000 in October 2005 (see appendix XIII). The front view of ₦100 currency note bears the portrait of Chief Obafemi Awolowo, Premier of Western Region

[66] A. Abdulrashid, "The Impact of New Naira Notes...", *op.cit,* p. 67.
[67] D.O. Chukwu, "Trends and Changes in the Nigerian Currency...", *op.cit,* pp. 94-95.

of Nigeria in the 1950s and leader of the opposition party at the Federal level in the 1960s. Its back view was a picture of 'Zuma Rock', a famous rock located in Zuba at the suburbs of Abuja, the Federal Capital of Nigeria. The ₦200 bank note bears the portrait of Alhaji Sir Ahmadu Bello, the Sardauna of Sokoto and former Premier of the defunct Northern Region. Its back view contained pictures of herds of cattle, agricultural products and the Nigerian Coat of Arms. The front view of ₦500 denomination was a picture of Chief (Dr) Nnamdi Azikiwe, the first President of the Federal Republic of Nigeria and Naira sign on both sides. At the back view of the note were the picture of an off-shore oil-rig and the Nigerian Coat of Arms. Peculiar to ₦1000 currency note was that its front view bears portraits of the past two CBN governors: Alhaji Aliyu Mai-Bornu (governor, 1963-1969) and Dr Clement Isong (governor, 1967-1975). There was also a gold foil (kinegram), on the front of the note with the Nigerian Coat of Arms and the numeral 1000 indicating value of the note. Also peculiar to it was that, it was devoid of the Naira sign. However, like other post-independent Nigerian currency notes, the ₦1000 currency note bears the title 'Central Bank of Nigeria', on the top left corner of the front view with two tiny lines underlining it. The CBN described these peculiar features of the current highest currency denomination in the country as "security measures to ease recognition of a genuine note."[68] The millennium package: ₦100, ₦200, ₦500 and ₦1000 have since their introduction circulated and are still circulating in the former Sokoto Province side by side other Nigerian territories.

Another change began earlier in May, 2007 with the printing of ₦20 polymer note only, but was not completed until in 2009 when the ₦50, ₦I0 and ₦5 notes were also printed in polymer. The 2007-2009 currency change in Nigeria was not only from paper to polymer notes but also there was change in the size, hue and particulars of the ₦5, ₦I0,

[68] *Ibid,* p. 95.

₦20 and ₦50 notes. Also new was the introduction of ₦2 and the reintroduction of ₦1 and 50k coins (see appendix XIV), as well as the withdrawal of 1/2 k and 25k coins from circulation.[69]

All the redesigned notes are smaller than the old ones. The new notes also have no Naira sign. The values of the notes hitherto written in Hausa in Ajami (a variety of Arabic calligraphy) script are now written in Hausa, Igbo and Yoruba in Roman. The Map of Nigeria in National colours is at the back of the notes. The notes have vertical and horizontal numbering. The CBN logo replaced the eagle in the watermark. The Coat of Arm is on the back, the "Central Bank of Nigeria" and logos are on the front. The ₦5 note continued to bear the portrait of Alhaji Tafawa Balewa on the front and also has a Diamond symbol for the visually impaired. At the back is a portrait of traditional drummers retained from the old note and a security thread with CBN written on it. The ₦10 note also continued to bear the portrait of Alvan Ikoku on the front and a square symbol for the visually impaired. At the back is the security thread with CBN written on it and the portrait of the milkmaids retained. The ₦20 note still continued to bear the portrait of Late General Murtala Mohammed, circle symbol for the visually impaired and a clear window instead of a watermark in front and at the back is the portrait of Ladi Kwali, a famous potter, and an oval shaped green area which changes to gold when titled. The ₦50 note popularly known as 'wa zo biya' connoting the meaning of the word 'come' in the three major Nigerian languages of Yoruba, Hausa and Igbo respectively, still bears the portrait of the people of the three major ethnic groups in the country. It has a light blue

[69] A. Abdulrashid, "The Impact of New Naira Notes...", *op.cit.*

metallic stripe and a triangle symbol for the visually impaired in front and the portrait of fishermen and a security thread with CBN written on it at the back.[70]

6.12 Conclusion

Several economic policies that impacted not only on the Nigeria's financial sector but the entire economy of the country were introduced by the government during the period covered by this chapter. This range from devaluation of Naira and deregulation of interest rates under the umbrella of the SAP; establishment of the NDIC and consolidation of the banking industry. However, what is evident from the foregoing is that none of the policies impacted negatively so much on the value of Nigerian currency like the devaluation of Naira. It is equally clear from the chapter that right from 1984 when the colour of the Nigerian currency notes were swapped, there was no any record of currency changes until in 1991 when the ₦50 note was introduced, which remained the highest denomination in the country until the introduction of the millennium package. More changes were subsequently witnessed in the financial sector of the economy; these included the introduction of new higher denomination paper notes and coins as well as lower denomination paper notes from ₦50 downwards in form of polymer, which began in 2007 and ended in 2009. These currency reforms were attributed to the need of expanding economic activities and facilitating efficient payments system. As an integral part of Nigeria, the former Sokoto Province had, thus, from 1991 to 2009, witnessed the introduction of currency notes and coins of various denominations.

[70] Their specimens are available in D.O. Chukwu, "Trends and Changes in the Nigerian Currency...", *op.cit*, p. 100.

CHAPTER SEVEN

CASHLESS POLICY AND RELATED MODERN DEVELOPMENTS IN NIGERIA, 2010-2015

7.1 Introduction

The most recent and ongoing development in the annals of monetary history in Nigeria is cashless policy which preparation began in 2010, but came on board on a pilot scheme for the first time on 1st January, 2012. Although the policy can be regarded as a new stage and dimension of imperialism that tries to turn the whole world into global village in terms of financial transactions, if successfully adopted nationwide, it has the tendency of becoming a turning point in the history of not only currency in the country, but also the entire economy from cash oriented to a cashless one. It should however be noted that before the introduction of the policy, certain systems which provided an enabling environment for its take up were adopted by both banking sector and government in Nigeria. These are electronic banking (e-banking) and electronic payments (e-payments). This chapter first and foremost examines the introduction of cashless policy in the country. It also discusses the adoption of e-banking and e-payments systems which provided fertile ground for the eventual introduction of the cashless policy. Benefits derivable from the cashless policy as well as problems and challenges facing the policy are also examined.

But before discussing the cashless policy and related modern developments, an important development in the financial sector that took place in the study area and which needs to be discussed here was the establishment of Birnin Kebbi and Gusau branches of the CBN. The two branches in Kebbi and Zamfara states respectively were established in 2010.[1] They were until the end of 2015 operating in their temporary sites; Sultan Abubakar

[1] Malam Yasar Adamu, (Customer Service Officer, CBN Gusau), interviewed in Gusau, at his residence, on Sunday 26th July, 2015.

road, Birnin Kebbi for the Birnin Kebbi branch and Jibrin Bala Yakubu Street, opposite Ja'iz Bank, Kanteen Daji Area, Gusau for the Gusau branch. Permanent building of the two new branches which were still ongoing, are however located at Emir Haruna road, Gesse Phase II, for the Birnin Kebbi branch and Sokoto road, opposite Guaranty Trust Bank for the Gusau branch.[2] All the functions formerly carried out by the CBN Sokoto branch in the region (present Sokoto, Kebbi and Zamfara States), are however, from the time when the two new branches established in Kebbi and Zamfara states, being carried out by the CBN branches in the states without necessarily going to Sokoto. However, since the two new branches are still operating in their temporary buildings coupled with limited facilities provided therein; they occasionally report to Sokoto branch or any nearby branch like Katsina and Kaduna branches in the case of Gusau and Minna branch in the case of Birnin Kebbi, for further assistance.[3]

7.2 Cashless Policy in Nigeria

The concept of cashless economy has been defined by scholars from different perspectives. According to Paul and Friday,[4] cashless economy is a type of economy in which both paper and electronic money are used in transactions. They stated that cashless economy does not mean an outright absence of cash transactions in an economy but rather an economy where the amount of cash based transactions are kept to the barest minimum level. Other scholars however, view cashless economy from the extreme perspective. For

[2]Both the temporary and permanent sites of the two new branches in Birnin Kebbi and Gusau were visited by the researcher.

[3] Malam Abdullahi Bawa, Head of Banking, Central Bank of Nigeria, Sokoto Branch, interviewed at his office on Tuesday 30th December, 2014.

[4]A.B. Paul and O. Friday, "Nigeria's Cashless Economy: The Imperatives", *International Journal of Management and Business Studies,* Vol. 2, No. 2, pp. 1-36, cited by A.A. Sokoto and L. Haruna, "Cashless Policy and the Nigerian Economy: An Appraisal of the Challenges and Implications for Monetary Policy", in M.U. Alti, et.al (eds.), *Readings in Public Administration*, Vol. 2, 2014, p. 148.

instance Costa and Grauwe,[5] described cashless economy as a system which uses electronic money as the only means of transactions. But this seems to be absolutely impossible as no society can sustain having no cash in an economy completely. The definition provided by Paul and Friday is thus, the most widely acceptable among scholars. The cashless policy, which is targeted at accomplishing a cashless economy therefore, aims at reducing (not eliminating) the amount of physical cash (coins and notes) circulating in an economy as well as encouraging more electronic based transactions.[6] These will be discussed in due course.

Until the introduction of the cashless policy in Nigeria the country was, and of course still is, a heavily cash oriented economy with retail and commercial payments primarily made in cash.[7] Indeed, cash is a strong motivator in Nigeria's highly informal economy. According to the CBN's annual report for the year 2012, cash related transactions represented over 99% of customer activity in Nigerian banks as at December 2011.[8] However, during the last three years, the Nigerian financial sector has witnessed a growing refrain of voices calling for a shift from a cash-based economy to a cashless one. The move is gradually fast becoming a top priority of banks, governments, companies, individuals, and non-governmental organizations (NGOs). It was in view of turning Nigeria into a cashless society that the CBN has introduced the new cashless policy on a

[5] C. Costa and P.D. Grauwe, "Monetary Policy in a Cashless Society", *Discussion Paper* No. 2696, cited by A.A. Sokoto and L. Haruna, "Cashless Policy and the Nigerian Economy...", *Ibid*, p. 149.
[6] W.D. Olanipekun, et.al, "Integrating Cashless Economic Policy in Nigeria: Challenges and Prospects", *International Journal of Business and Behavioural Sciences*, Vol. 3, No. 5, 2013, p. 5.
[7] E.F. Nwaolisa, and E.G. Kasie, "Electronic Retail Payment Systems: User Acceptability and Payment Problems in Nigeria", *Arabian Journal of Business & Management Review* (Oman Chapter), Vol. 1, No. 9, 2012, p. 112.
[8] *Central Bank of Nigeria's Annual Report for the Year 2012*, Abuja, CBN, pp. 6-7.

pilot phase, starting with a section of the country (Lagos State), effective from 1st April, 2012.[9]

The policy was an important landmark in the 21st century monetary history of Nigeria. It aimed at reducing the amount of physical cash in circulation and encouraging more electronic-based transactions with a view to among others, reducing the cost of banking services, checking high corruption level in the country, reducing robbery and high cost of processing cash, reducing revenue leakages and inefficient treasury management, promoting economic development through financial intermediation, as well as improving the effectiveness of monetary policy in managing inflation and driving economic growth.[10] The main purpose of the policy was therefore, to reduce the volume of cash in circulation for business transactions and encourage more electronic- based transactions, thereby reducing costs of printing new cash and handling the existing ones by the government and banks.

At the dawn of January 1, 2012, the pilot scheme of mobile money, one of the financial services introduced to achieve a cashless economy in Nigeria, took off in Lagos, the commercial nerve centre of the country.[11] Part of the features of this payment platform were consumer accounts information, updates and alerts, which have been in existence but not widely subscribed to by account holders. Payment of bills, person-to-person transactions and remittances in different forms also form part of the cashless economy drive. With the introduction of the mobile payment, Nigeria was only keying into a fast

[9]N. Ejoh and I. Okpha, "The Workability of Cashless Policy Implementation in Nigeria", *Journal of Economics and Sustainable Development*, Vol. 5, No. 17, 2014, p. 179.

[10] O.O. Ovat, "The Central Bank of Nigeria's Cashless Policy in Nigeria: Benefits and Challenges", *Journal of Economics and Sustainable Development*, Vol. 3, No. 14, 2012, pp. 128-129.

[11] It was introduced by the CBN via a circular Ref. No. COD/DIR/GEN/CIT/05/031 dated 20th April, 2011. See also, J.A. Odumeru, "Going Cashless: Adoption of Mobile Banking in Nigeria", *Arabian Journal of Business and Management Review*, (Nigerian Chapter), Vol. 1, No. 2, 2013, p. 10

evolving global payment system. The mobile money platform is a technology driven payment system that will open up several other business opportunities in the economy[12].

Coverage of the policy was extended to the Federal Capital Territory (Abuja), and five other states: Kano, Rivers, Abia, Ogun and Anambra on July 1st, 2013. This was referred to as phase II of implementation of the policy.[13] Phase III, which was the last stage of implementing the policy was meant to cover the remaining 25 states of the federation (including our study area). It was actually formally extended to cover the remaining states of the federation on 1st July, 2014 but the CBN waved charges on cash withdrawals above the pegged limit until 1st July 2015. This was according to the apex bank, due to unforeseen circumstances which among other things included lack of wider publicity about the policy among Nigerians and insufficient channels for its execution like Point of Sales (POS) terminals and Automated Teller machines (ATMs).[14]

Initially, the cashless policy in Nigeria pegged daily cash transactions (deposits and withdrawals) for individuals and corporate bodies at ₦150,000 and ₦1,000,000 respectively. The amounts were however, later reviewed upward to ₦500,000 and ₦3,000,000 for individuals and corporate organisations respectively. Any cash transaction above the aforementioned amounts for individuals and corporate organizations attracted a charge of 10% in bank charges (that is to say ₦100 per every ₦1,000).[15] But the bank charges were later reviewed downwards by the CBN as presented in the table below:

[12] O.O. Ovat, "The Central Bank of Nigeria's Cashless Policy in Nigeria...", *op.cit*, p. 129.
[13] E. Okonji, "CBN to Push Cashless Policy Initiative to More States", *This Day Newspaper*, 24th June, 2014.
[14] See *African Business Magazine,* for the months of August/September, 2014, p. 56.
[15] W.D. Olanipekun, et.al, "Integrating Cashless Economic Policy in Nigeria...", *op.cit,* p 5.

Table 7.1: Cashless Policy Withdrawal and Deposit Limits and their charges in Nigeria

Account type	Withdrawal/Deposit limit	Withdrawal fee	Deposit fee
Individual	₦500,000	3%	2%
Corporate	₦3,000,000	5%	3%

Source: Frequently Asked Questions and Answers on the CBN Policy on Cash Withdrawals/Lodgement Limit, p. 12.

Individuals and corporate organizations that made cash transactions above the limits would be charged a service fee for the amounts above the cumulative limits only. For instance if an individual make a cash transaction of ₦700,000, the bank charges apply to ₦200,000 only (3% and 2% of ₦200,000 for withdrawal and deposit respectively). The cash limits apply to the accounts irrespective of channel of transaction (i.e. whether it is over the counter, automated teller machine (ATM), third party cheques cashed over the counter, etc. As far as cash is involved, any withdrawal or deposit that exceeds the limits attracts a service charge. For example, if an individual withdraws ₦450,000 over the counter and ₦150,000 from the ATM on the same day, the total amount withdrawn by the customer is ₦600,000, and the service charge will apply on ₦100,000 - the amount above the daily free limit. Thus, the limit did not prevent customers from withdrawing or depositing beyond the pegged limits but such customers should be ready to pay the aforementioned penal fee.[16]

However, the CBN, granted exemption to revenue collection ministries, departments and agencies (MDA's) of the federal and state governments on lodgements for account operated by them for the purpose of revenue collection only. Similarly, exemption was given to all diplomatic missions, multilateral and aid donor agencies, and

[16] Malam Ibrahim Garba Ahmad, (Head of Cash and Cashless Champion), Central Bank of Nigeria, Sokoto Branch, on Wednesday 31st December, 2014. See also, O.O. Ovat, "The Central Bank of Nigeria's Cashless Policy...", *op.cit*, p. 128.

embassies in the country from penalties and charges on cash withdrawal and deposits with regards to the cashless policy, because Nigeria is a signatory to several treaties, which exempted such specialized international institutions from all fees and charges in the host country. Penalties on cash limit were also waived for microfinance banks and mortgage institutions.[17]

In order to facilitate efficiency of the cashless policy, the apex bank introduced the use of a number of electronic financial devices that were essential to the implementation of the policy which among others included mobile banking system, POS terminals and personal computer/web banking otherwise called PC banking. The apex bank also widened the scope of using ATMs to achieve more electronic financial transactions beyond cash dispensing like fund transfer, payment of bills and quick teller services. Although by the time cashless policy was introduced in Nigeria the ATMs had already been in use for over a decade, its usage was not as enhanced as after the policy was introduced. It was also with a view to strengthening effectiveness of the cashless policy that the CBN had, with effect from 3rd June, 2013 stopped encashment of any third party cheque above ₦150,000 nationwide. More about these channels through which the cashless policy is in the process of being implemented in Nigeria shall be discussed in the appropriate sub-sections. But before then, let us look at some important developments which provided fertile ground for the introduction of cashless policy in Nigeria.

7.3 Electronic Banking in Nigeria

Electronic banking (e-banking) otherwise called internet banking is the conduct of banking business electronically which involves the use of information and communication

[17] W.D. Olanipekun, et.al, "Integrating Cashless Economic Policy in Nigeria...", *op.cit.*

technology (ICT) to drive banking business for immediate and future goals.[18] The ICT is an automation of process, controls and information production using computers, telecommunication, software and auxiliary equipment such as the ATM. It is a term that generally covers the harnessing of electronic technology for information needs of a business at all levels.[19] E-banking therefore, involves computer-based systems used to perform financial transactions electronically. It allows bank customers to pay money from one account to another, pay bills, and transfer funds using recognised electronic channels, among others. It further represents a variety of financial services performed through electronic devices, including withdrawals and deposits using ATM, Automated Bill Payment (ABP), Electronic Fund Transfer (EFT) and PC banking. Other types of e-banking services include telephone banking and "on-line-real-time banking", which is a type of banking that gives individual bank a 'one branch status' via technology, since with it customers can operate their accounts from any branch of the bank irrespective of where the account was opened and domiciled.[20] This type of banking service is now being operated by almost all banks in Nigeria.

Chibueze et.al,[21] further described e-banking as a provision of retail and small value banking products and services through electronic channels as well as a large value electronic payment and other wholesale banking services delivered electronically. But according to the CBN report of technical committee on e-banking, the concept is used to describe a situation whereby banking business is transacted using automated process and electronic devices such as personal computers, telephones, internet, card payments and

[18]A.Z. Chibueze, et.al, "Electronic Banking and Bank Performance in Nigeria", *West African Journal of Industrial and Academic Research*, Vol. 6, No. 1, 2013, p. 171.
[19]I.D. Adewuyi, "Electronic Banking in Nigeria: Challenges of the Regulatory Authorities and the Way Forward", *International Journal of Economic Development Research and Investment*, Vol. 2, No. 1, 2011, p. 149.
[20]A.O. Agbada, "Electronic Banking in Nigeria: Problems and Prospects From the Consumer's Perspective", *Bullion: Publication of the Central Bank of Nigeria*, Vol. 32, No. 4, October-December, 2008, p. 19.
[21]A.Z. Chibueze, et.al, "Electronic Banking...", *op.cit*, p. 172.

other electronic channels. The report further states that some banks practice electronic banking for information purpose only. Some use it for simple transactions such as checking account balance as well as transmission of information while others facilitate fund transfer and other financial transactions.[22]

Long before the use of ICT to commence e-banking in Nigeria, it had earlier begun in Europe, America and other developed nations some decades ago. It started in Britain in the late 1960s, spread to U.S. France, Japan and other developed nations in the late 1970s and early 1980s.[23] The adoption of e-banking in Nigeria started in the late 1980s following the advent of banks that were christened as 'new generation banks'. The founding of banks like Access Bank Plc, Diamond Bank Plc, Guaranty Trust Bank Plc, Zenith Bank Plc and Oceanic Bank International (refer to as new generation banks) as from 1989, with on-line-real-time (interconnectivity) facilities marked the beginning of e-banking nationwide. This development awakened new dimensions to completion among banks, including among the already existing banks (old generation banks), and consequently they all gradually embraced e-banking options to stem up competition. This was followed by the introduction of ATMs for cash dispensing, account balance inquiry and payment of utilities in the early 1990s.[24] In fact, the first ATM in Nigeria was launched by the defunct Societe Generate Bank of Nigeria (SGBN) at their Broad Street and Apapa Branches (Lagos) in November, 1990. The points of the machines became known in Lagos as "cash point 24".[25] E-banking was further enhanced in Nigeria by the introduction of use of cards (smartcards) for

[22] Central Bank of Nigeria, *Report of Technical Committee on Electronic Banking in Nigeria*, Abuja, CBN, 2003, p. 3.
[23]I.D. Adewuyi, "Electronic Banking in Nigeria..., *op.cit,* p. 151.
[24]A.O. Agbada, "Electronic Banking in Nigeria..., *op.cit,* p. 20.
[25]I.D. Adewuyi, "Electronic Banking in Nigeria..., *op.cit,* p. 151.

paymen by the CBN in 1993. Ten years later, (in August 2003), the apex bank issued a broad guideline on e-banking in Nigeria.[26]

According to the guideline, the CBN identified the recognised e-banking operators, agents, products and channels. Specifically, banks and other financial institutions were identified as operators; Internet Service Providers (ISPs), Switch and Electronic Fund Transfer (SEFT) and messages companies were identified as e-banking agents; card products, EFT, e-bill presentation and digital cash, were identified as e-banking products; while mobile phones, ATMs, websites (internet) and POS devices were identified as e-banking channels.[27] For effective e-banking inter-bank operations in Nigeria, inter-switch operation was launched by group of banks in 2004 following the introduction of Nigerian Inter-Bank Settlement System (NIBSS). During the same year, the NIBSS further introduced NIBSS Electronic Fund Transfers (NEFT) which was no doubt, a boost to adoption of the NIBSS electronic banking operations in Nigeria.[28]

An important issue to note at this point is that before the introduction of electronic banking in Nigeria, monetary transactions were carried out manually by banks and other financial institutions. The manual system involved posting transactions from one ledger to another with human hands. Figures or counting of money which are now being done through electronic machines were prior to e-banking computed and counted manually which were not 100% accurate thereby resulting to human errors.[29] Therefore, the origin of electronic banking not only in Nigeria but all over the world, is attributable to globalization which is the increased integration of world economies through trade and capital flows, facilitated by the phenomenal growth in information technology and the

[26]A.O. Agbada, "Electronic Banking in Nigeria..., *op.cit* , p. 20.
[27]Central Bank of Nigeria, *Guideline on Electronic Banking in Nigeria,* Abuja, CBN, 2003, pp. 11-13
[28]A.O. Agbada, "Electronic Banking in Nigeria..., *op.cit,* p. 20.
[29]N. Odi, "Electronic Payment in Cashless Economy of Nigeria: Problems and Prospect", *Journal of Management Research,* Vol. 5, No. 1, 2013, p. 1.

opening up of closed economies and societies.[30] It was the developments of electronic financial transactions in the banking sector that provided suitable atmosphere for the adoption of electronic payments (e-payments) in the formal sector and introduction of cashless policy in Nigeria, in 2009 and 2012 respectively. The two (e-payments and cashless policies), are indeed a turning point in the history of currency system not only in the study area but in the entire country. These would be discussed in details in the sections that follow.

7.4 Electronic Payments in Nigeria

In the context of Nigeria, electronic payments (e-payments) refers to effecting payments from one end to another end through the medium of a computer that is connected with internet, without manual intervention beyond entering the payment data. It is the ability of government to pay the suppliers, vendors and staff salaries electronically at the touch of a computer button. This is what is called e-payments in the formal sector in other parts of the World.[31] The Federal Government of Nigeria (FGN) introduced e-payments following the release of its treasury circular which directed that payments of all funds from it be made electronically as from 1st January, 2009.[32] The policy, initially was introduced to eliminate the un-acceptable delay in the payment of government contractors who have been certified to have either partly or totally completed contracts awarded to them and are due for payment. It was also introduced to minimize interaction between contractors and government officials, who have roles to play in the payment of contractors; check corruption because transactions of the government can easily be traced from one source to

[30]For more on the concept of globalization and its dynamism, see I.P. Osamor et.al, "An Empirical Analysis of the Impact of Globalisation on Performance of Nigerian Commercial Banks in Post-Consolidation Period", *European Journal of Business and Management*, Vol.5, No.5, 2013, p. 37.
[31]T.O. Asaolu, et.al, "Electronic Payment System in Nigeria: Implementation, Constraints and Solutions", *Journal of Management and Society*, Vol. 1, No. 2, 2011, p. 17.
[32]Reference No. TRY/A8 & B8/2008 dated 22nd October, 2008.

another; and institutionalize financial integrity in the activities of government. The policy was however, later extended to cover all payments from any FGN fund effective 1st January, 2009. In order to ensure efficiency in the new payment system, the CBN mandated that henceforth, all bank account numbers in Nigeria must be in compliance with 10 digits Nigerian Uniform Bank Account Number (NUBAN).[33]

7.5 E-payment in the former Sokoto Province Area

The earliest state to adopt e-payment system in our study area was Kebbi State. The new payment system became effective in the state from January, 2010.[34]According to a source[35] from the state Ministry of Finance, preparations for migration from manual (cash and cheque payment systems), to e-payment by the State Government had began shortly after the new system was adopted by the Federal Government in 2009. These among other things, the source added, included verification of the state's public servants and pensioners as well as capturing of their biometric data. It was Zenith Bank Plc Birnin Kebbi branch, which keeps the state's emolument account that provided software platform for the e-payment in Kebbi State. It is however important to note that up to July, 2015 an 'end to end e-payment system', is only adopted by the state in the payment of salaries and pensions. Semi e-payment system, whereby payment mandates are issued to banks authorising them to debit the State Government's account and credit beneficiaries (MDAs, contractors, suppliers, payment of allowances, etc); is so far the one adopted by the State Government in payments other than salaries and pensions.[36]

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[33]E.F. Nwaolisa, and E.G. Kasie, "Electronic Retail Payment Systems..., *op.cit*, pp. 112-113.
[34]Source *anonymous*, Thursday, 30th July, 2015.
[35]*Ibid*.
[36]*Ibid*. An end to end payment system is an electronic payment platform which transmits the instruction to debit a payer's account and credit a beneficiary's bank account. The payer has the ability to independently monitor and obtain electronic feedback on the status of any payment, at any time without depending on any third party, manual or semi-manual means. See CBN *Guideline on Electronic Payment of Salaries, Pensions, Suppliers and Taxes*, Vol. 1.0, Abuja, CBN, 2014, P. 9.

The next state to adopt e-payment system in our study area was Sokoto State. Preparations for adoption of the system had been earlier begun by the State Government since 2011 and it became formally adopted as from January, 2013.[37] Like in the case of Kebbi State, in Sokoto State, end to end e-payment applied only to payments of salaries and pensions of civil servants and pensioners respectively. Semi e-payment is also used for payments other than salaries and pensions in the state. It was Skye Bank Plc main branch, Sokoto that keeps the Sokoto State emolument account, which provided software platform for the e-payment. In addition to what obtained in Kebbi State, in Sokoto State any payment from government treasury that was below ₦10,000 (ten thousand Naira), cheque was used to lodge it into the beneficiary's account.[38]

The last state to embrace e-payment system in our study area was Zamfara State. Preparations for migrations to the new payment system had been earlier started by stakeholders in the state since 2012. In 2013, several deposit money banks operating in Gusau, the state capital, approached the state government in order to be allowed to provide e-payment soft ware flat form for the state. After series of discussions with all the stakeholders (banks, government officials and representatives of labour unions in the state), which dragged up to July, 2014 the state government finally adopted the new payment system with effect from August, 2014.[39] Like in the case of two states discussed above, in Zamfara state too, an end to end e-payment is so far applied only to payments of salaries and pensions of civil servants and retirees, which are being carried out by sub-treasury unit of the state's Ministry of Finance. Semi e-payments are however being carried out by central account unit of Zamfara State Ministry of Finance to effect payments

[37]Malam Isa Marafa, (Principal Accountant), Ministry of Finance, Sokoto, Sokoto State, Tuesday, 4th August, 2015.
[38] Malam Ibrahim Shehu (Principal Cashier I), Ministry of Finance, Sokoto, Sokoto State, Tuesday, 4th August, 2015.
[39] Malam Muhammadu Sani Nakwada (Zamfara State Sub-Treasurer), Ministry of Finance, Gusau, Zamfara State, Thursday, 6th August, 2015.

other than salaries and pensions. But what makes the kind of e-payment adopted in Zamfara state unique and different from that of the two other states was that, contrary to provision of e-payment software platforms by the Zenith and Skye banks in Kebbi and Sokoto states respectively, Zamfara State Ministry of Finance opted for accepting all banks patronise by the state's civil servants and pensioners, to provide the software platforms. In this case, all banks operating in the state were carried along, and the initiative has tendency of providing beneficiaries with quick access to their payments since no interbank transaction was involved.[40]

Information from the three Ministries of Finance of Sokoto, Kebbi and Zamfara states highlighted successes recorded and challenges encountered so far, following adoption of the new e-payment system. Some of the successes which were virtually common in all the three states included instant payment of salaries, checking of ghost workers, fewer charges on treasury accounts and limited chance of diverting public fund. The challenges which were also common in all the three states included manpower training about the new payment system, epileptic power supply, poor internet network as well as difficulties in maintaining the new payment system's facilities.

[40] *Ibid.*

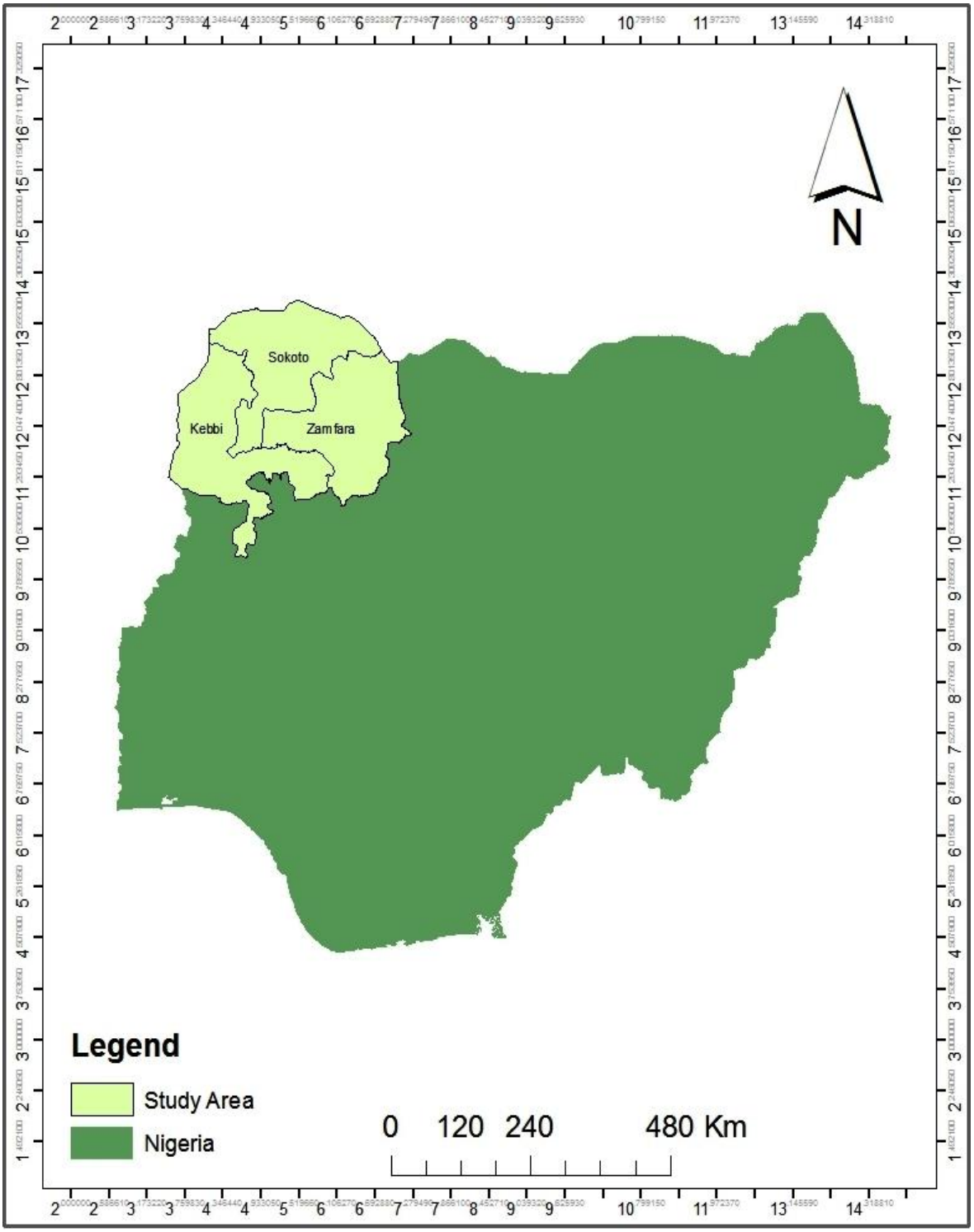


Fig 2: Map of Nigeria showing the Study Area (Sokoto, Kebbi and Zamfara States)

Source: GIS Laboratory, Department of Geography, UDUS, Redrawn by Budah, G.A.

7.6 Mobile Banking System

As stated earlier, effective from 1st January, 2012, the CBN launched a pilot scheme of mobile banking in Nigeria in its effort to commence implementation of the cashless policy in the country. Mobile banking refers to provision of banking and financial services with the help of mobile telecommunication devices. It is a type of banking that uses mobile phones to carry out some banking services.[41] From the time when the Global System for Mobile Communication (GSM) was introduced into Nigeria over ten years ago, the face of communication in the country has been transformed. The development of the technologies in mobile communication has in recent years impacted upon different aspects of human endeavours. One of such aspects affected by the development of technologies in mobile communication not only in Nigeria but in the entire world was financial sector in general and banking sector in particular. Mobile smart phones (android, blackberry, windows phone, iphone, etc), nowadays functions like personal computers in their own ends. Today Nigeria has over 90 million active mobile subscriptions making the country a fertile ground for the use of mobile banking.[42] Thus, with this high volume of active mobile phones in Nigeria, mobile banking has the potential of contributing greatly to the success of the cashless policy.

Mobile phone gives customers opportunity to operate their account with bank as long as their phones and network services provider support the short messaging service (SMS) which would enable them check account balance. It also allows users to make payments with their GSM phones. Mobile banking is a payment system that turns GSM phones into a saving account platform, allowing owners to access their account balance update and history, verify transactions, make fund transfers as well as other electronic

[41]J.A. Odumeru, "Going Cashless...", *op.cit*, p. 9.
[42]*Ibid*, p. 10.

financial services like payment of bills and quick teller services.[43] A recent survey carried out by the CBN show that there exists a huge growth potential for mobile banking in Nigeria. According to statistics, 32.5% of the adult population (26.4 million people) of Nigeria had at least one bank account while 55.9 million adults were unbanked. This is in addition to the fact that, virtually all the banks that operate in Nigeria today offer mobile banking services.[44] Therefore, since the success of a policy like the cashless policy depends to a large extent on the ability of banks to deliver alternative electronic banking options to their customers and the rate at which customers adopt such options; one of such alternatives is a mobile banking.

7.7 Point of Sale (POS) Terminals

The use of POS terminals to commence electronic financial services in Nigeria dates back to November, 2011, when the CBN issued a guideline on its commencement effective from December, that year.[45] It was in exercise of the powers conferred on the apex bank by Section 47 (3) of the CBN Act 2007 (as amended) to issue guidelines for the maintenance of adequate and reasonable financial services for the public and to ensure high standards of conduct and management throughout the banking system, that CBN issued the guidelines for POS card acceptance services in Nigeria.[46]

The POS is a machine used to accept cards for payment of goods and services. It allows a cardholder to have a 'real-time' online access to funds and information in his/her bank account through debit or cash cards. This type of electronic financial device handles credit authorization, cash deposit and withdrawal, cash payment, etc. It equally enhances

[43] "Frequently Ask Questions and Answers on the CBN Policy...", *op.cit, p.* 6.
[44] J.A. Odumeru, "Going Cashless...", *op.cit*, p. 10.
[45] Central Bank of Nigeria, *Guidelines on Point of Sales (POS) Card Acceptance Services*, Abuja, CBN, 2011, p. 13. See also, O. Chima, "POS Transaction: NIBBS Commences T1 Settlement", *ThisDay Newspaper*, 2nd December, 2011.
[46] Central Bank of Nigeria, *Guidelines on Point of Sales (POS)..., Ibid*, p. 2.

electronic fund transfer at the point of sales. The POS devices are obtained by businesses from their banks and installed for electronic financial transactions. They are normally connected to the NIBSS by the subscribers' bank for the purposes of making payments during business transactions. The way it works is that, customers account would be debited immediately with the cost of purchase in outlets such as petrol stations, supermarkets and pharmaceuticals. The implication of this is that customers can make payment for goods and services without necessarily coming in contact with physical cash as the purchase price would be debited on the buyer's card and credited on the seller's account.[47]

7.8 Automated Teller Machine (ATM)

An ATM is a self-service machine that dispenses cash and performs some human teller functions like balance enquiry, bills payments, mini statements and so on. It is a computer controlled device that dispenses cash and provides other services such as fund transfer, air time recharge, quick teller services like payment of bills, etc to customers who identify themselves with a personal identification number (PIN). Its transactions are carried out through the use of a debit/credit card which enables the card holder(s) to access and carry out banking transactions without a teller.[48] As noted earlier, the first ATM in Nigeria was launched in November, 1990. ATM has in recent years reduced to a certain extent, physical carriage of cash and frequent visit to the banks in Nigeria. It is therefore one of the channels through which cashless policy can be efficiently implemented in the country.[49] The principal advantage of ATM is that, it is accessible for electronic financial transactions and it dispenses cash at anytime of the day regardless of working hours or working days so long there is network, there is no any technical or mechanical problem and, or there is cash in the machine as the case may be. It also needs not to be located

[47]W.D. Olanipekun, et.al, "Integrating Cashless Economic Policy in Nigeria...", *op.cit*, p. 6.
[48] *Ibid*, pp. 6-7.
[49]*Ibid*, p. 7.

within the banking premises; it could be outside a bank, in stores, shopping malls, fuel stations, school premises, etc.[50]

7.9 Personal Computer (PC)/Web Banking

PC/web banking is a form of online banking that enables customers to execute bank transactions from a PC via internet connectivity like in a cyber café, using a modem or data by a mobile telecommunication network. In most PC banking ventures, the bank offers the customer a proprietary financial software program that allows the customer to perform financial transactions from his or her home computer. The customer then dials into the bank with his or her internet connectivity, downloads data, and runs the programs that are resident on the customer's computer. Currently, many banks in Nigeria offer PC banking systems that allow customers to obtain account balances and credit card statements, pay bills, and transfer funds between accounts.[51] This is another channel through which cashless policy was in the process of being implemented in Nigeria. It is another form of online banking system which has become an important practice among commercial banks in Nigeria in recent years. The introduction of this kind of e-banking has no doubt enhanced cashless policy and improved banking efficiency in rendering services to customers in the country.[52]

But it is important to note that out of the above channels of electronic financial services, the ATM is the most patronized among Nigerians. According to 2013 CBN annual report, the ATM transaction in Nigeria accounted for 96.4%, followed by mobile banking with 1.3%, and POS terminals, 1.2 per cent. The PC/web transaction was the least patronized, accounting for only 1.1%. (The table below represents this information). This

[50] Malam Abdullahi Bawa..., *op.cit*. See also O.O. Ovat, "The Central Bank of Nigeria's Cashless Policy in Nigeria...", *op.cit*.
[51] I. Pedro, "Towards Effective Implementation of Electronic Banking in Nigeria", *An International Multidisciplinary Journal, Ethiopia,* Vol. 6, No. 2, 2012, pp. 295-296.
[52] W.D. Olanipekun, et.al, "Integrating Cashless Economic Policy in Nigeria...", *op.cit,* p. 6.

may not be unconnected with the fact that the ATM facilities (the machines and the cards) were the most easily accessible to bank customers. Other channels required access to bank mobile platforms that would enable customers to transact with their mobile phones and internet services, which were not as common as the ATM facilities.

Table 7.2: Channels of Electronic Financial Services and their Percentage of Patronage in Nigeria

Channel of Electronic Financial Service	Percentage of Patronage
ATM	96.4%
Mobile	1.3%
POS	1.2%
PC/web banking	1.1%

Source: CBN annual report for the year 2013, p. 7

7.10 Encashment of Third Party Cheque above ₦150,000

The CBN had also in addition to the above financial services that aimed at transforming Nigeria into a cashless society, through a circular[53] directed all deposit money banks, microfinance and mortgage banks in all the 36 states of the federation and Federal Capital Territory (FCT), to stop encashment of third party cheques above ₦150,000 (see appendix XVI).The value for such cheques shall only be received through lodgements into the recipient/beneficiary's bank account. This new policy took full effect in the entire country on 3rd June, 2013. The implication of this was that any cheque above ₦150,000 originating from a third party must be lodged into the beneficiary's account. The

[53]Reference No. BPS/DIR/GEN/CIR/01/001. A third party cheque is the one issued by an account holder to a recipient for money to be released from his/ her account and given to the recipient. In this case, the bank is the first party, the account holder is the second party, while the recipient is the third party. For more on this, see A. Alawiye, "Cashing of Third-party Cheques above ₦150,000 Stops Today", *The Punch Newspaper*, Monday June 3rd, 2013, p. 1.

policy, according to the CBN, was one of the measures being put in place to discourage the use of cash in the system.[54]

7.11 Cashless Policy in the former Sokoto Province

With the exception of commencement of charges on withdrawals and deposit of cash above the limit pegged by the CBN in the states where the phases I and II of the cashless policy were introduced, all other components and channels through which the policy can be implemented were introduced almost at the same time all over the country. The policy, which was introduced in Lagos in January 2012 (phase I) and extended to Abuja, Kano, Rivers, Ogun, Abia and Anambra states in July 2013 (phase II); was further extended to the remaining 30 states of the federation (former Sokoto province included), as from 1st July, 2014.[55]

In a circular to all deposit money banks, titled "Phase III Nationwide Rollout of Cashless Policy: Extension to 30 Remaining States", signed by the Director, Banking and Payments System Department, Mr. Dipo Fatokun (see appendix XVII), the CBN said Phase III of the policy's implementation would commence in the remaining 30 States of the Federation on July, 1 2014 as scheduled.[56] Another CBN circular[57] to all deposit money banks, microfinance banks and primary mortgage institutions; titled "Circular on the Phase III Nationwide Rollout of Cashless Policy to the 30 Remaining States", dated June 9, 2014 and signed by the same CBN official, further reiterated the intention of the apex bank to extend introduction of the cashless policy in the remaining states of the

[54]Malam Ibrahim Garba Ahmad..., *op.cit*. See also, "Frequently Ask Questions and Answers on the CBN Policy on Cash Withdrawals/Lodgement Limit", a Monograph, Published by the Central Bank of Nigeria, ND. p. 5.
[55]A. Uko, "Finally, Cashless Policy Goes Live Nationwide", *Leadership Newspaper*, 1st July, 2014.
[56]CBN Circular, Reference No. GOVSSO/GEN/02/100, dated, 3rd June, 2014.
[57]CBN Circular, Reference No. BPS/PSP/DIR/CIRVOL.1/008, dated 9th June, 2014.

federation by 1st July, 2014 where the policy was not hitherto introduced (see appendix XVIII).

However, few days to the extension of the policy nationwide, the CBN announced waiver regarding charges on cash withdrawals by both individuals and corporate bodies above the pegged limit. In a press release signed by Isaac A. Okorafor, on behalf of Director, Corporate Communications Department of the CBN, it was made clear that as was the case in the pilot states, a one-year waiver was granted on the application of withdrawal charges in the remaining 30 states. This means that withdrawal charges continued to apply to transactions above the specified limits in only in Abia, Anambra, Lagos, Ogun, Kano, Rivers States and the Federal Capital Territory (Abuja). According to the release,

> Having successfully completed phases 1 and 2 of the cashless policy in six pilot states and the Federal Capital Territory, the Management of the Central Bank of Nigeria hereby notifies all stakeholders and the general public that phase 3 of the policy's implementation will commence as scheduled on July 1, 2014, in the remaining 30 States of the Federation.[58]

The announcement added that charges on withdrawals for both individual and corporate account holders were to take effect in the 30 remaining states as from July 1st, 2015. The waiver, the announcement further explained, was meant to allow ample time for the deployment of adequate infrastructure needed to support the policy, as well as additional sensitisation of various stakeholders on the merits of the policy.[59]

It was in compliance with the above directive of the CBN that deposit money banks across the country, including our study area, began charges on cash withdrawals above the pegged limit (₦500,000 and ₦3,000,000 for individual and corporate bodies

[58]Central Bank of Nigeria, "CBN Rolls out Cash-less Policy on July 1, 2014, Postpones Withdrawal Charges in 30 States", *Press Release,* 24th June, 2014.
[59]*Ibid*. See also, B. Udunze, "CBN Rolls Out Cashless Policy July, Waves Withdrawal Charges", *The Sun Newspaper*, 25th June, 2014 and O. Chima, "Cashless Policy: CBN Defers Charges in 30 States", *Thisday Newspaper*, 25th June, 2014.

account holders respectively), on 1st July, 2015. Text messages sent by deposit money banks in Sokoto, Kebbi and Zamfara states, and indeed the remaining 27 states, read:

> We refer to the Central Bank of Nigeria's (CBN) cashless policy, and the previous communication deferring charges on cash withdrawals above the daily limits, in 30 states of Nigeria till July 1, 2015. Please be informed that the following modalities which are currently operational in Lagos, Federal Capital Territory (Abuja), Abia, Anambra, Kano, Ogun and Rivers States will now be effective nationwide, including the previously exempted 30 states of Nigeria.[60]

However, nearly two weeks after commencement of the charges, the CBN issued a circular[61] to all deposit money banks, microfinance and mortgage banks; titled "Re: Nationwide Rollout of Cashless Policy to the Remaining 30 States", requesting them to stop the charges in the remaining 30 states until further directive is received from the apex bank (see appendix XIX).The circular added that, "charges inadvertently applied by banks on their customers' accounts in the remaining 30 states, with effect from 1st July, 2015, should be reversed immediately."[62]

At this point, it is important to note that the recent directive issued by the CBN to stop charges on the excess cash withdrawal limit in the remaining 30 states of the federation in Nigeria is not unconnected with inadequate facilities to commence the cashless policy effectively in the entire country. Even ATMs, which are the most patronized channels of implementing the cashless policy among Nigerians, are grossly inadequate. Up till now, many local government areas' headquarters in the country, not alone to talk of more remote areas, have no single installed ATM. In the few rural communities where they are located, they are either in a bad state or they are being over

[60]This kind of text message was sent by deposit money banks to their customers in the study area and the remaining states where the policy took effect as from 1st July, 2015 barely two days thereafter. See also, I. Akinmutimi, "Cashless Policy: Banks Implement Charges on Cash Withdrawals Nationwide", *National Mirror Newspaper*, 13th July, 2015.
[61]Reference No. BPS/DIR/GEN/CIR/02/006, dated 13th July, 2014
[62]*Ibid.*

used by people. Thus, many people have to go to urban centres for simple ATM transactions in most parts of the country, especially in the study area.

This is in addition to dearth of other channels through which the cashless policy could be implemented, like POS in the remaining 30 states particularly in Sokoto, Kebbi and Zamfara States, and more importantly lack of awareness about their existence among considerable number of Nigerian population. For instance, in the whole of Sokoto State, the only town where POS terminals were found is Sokoto town, the state capital. Even in Sokoto town, they were located in few business outlets like Shangai supermarket and Mr. Bigg's located along Maiduguri road, Rahusa and Zumunci Pharmacies along Sultan Abubakar road, Dankani Guest Inn along Kalambaina road, and Saraki Telecommunications shop around diplomat round about.[63] In Kebbi State, POS terminals were only available and functioning in Birnin Kebbi, the state capital, at few places like Sha'abamuwa and Heroes land Supermarkets located along Yahaya Shantali road, Rafin Atiku; Federal Medical Centre, Birnin Kebbi; Safar Guest Inn, located at Abubakar Dangiwa road, Gesse Phase II and Hamdala Medicine Store, located at Ahmadu Bello Way.[64] Whereas in Zamfara State, POS terminals were found only in Gusau- the state capital, at Jifatu Store, located at No. 2, Umaru Musa 'Yar Adua road and Malam Jafaru Maisumunti's shop located at Canteen road, opposite Skye bank.[65]

For the CBN to effectively commence the cashless policy in remaining 30 states of the federation therefore, it has to forestall and tackle the problem of infrastructural

[63] Malam Ibrahim Garba Ahmad..., *op.cit* . All the five outlets were visited by the researcher; existence as well as functionality of the POS terminals at these locations was also confirmed.

[64] Field survey by the researcher in Kebbi State, May-June, 2015. The survey was carried out by visiting deposit money banks to find out existence of POS in Birnin Kebbi and other major towns in the state like Argungu, Yauri and Zuru.

[65] Malam Yasar Adamu, (CBN Gusau), interviewed in Gusau, at his residence, on Sunday 26th July, 2015. Also, in an interview with Malam Jafaru Maisumunti, 45 years, in his shop, Canteen road, Gusau. The interview took place while the researcher was on field survey in Zamfara State in July, 2015. The survey was carried out by visiting deposit money banks to find out existence of POS in Gusau and other major towns in the state like Anka, Gummi, Talata Mafara, Shinkafi, Kaura Namoda and Tsafe.

challenges as well as lack of wider publicity, hindering commencement of the policy proper in the remaining parts of the country. In view of this, the CBN has to enhance provision of adequate channels for implementing the policy in all nook and crannies nationwide, and embark on massive enlightenment campaign via the mass media outreach to educate both the banking and unbanked public on the nitty-gritty of the cashless policy. This can be done through production and airing of jingles in the three major languages being spoken in Nigeria: the Hausa, the Igbo and the Yoruba languages, to enable the message of actualizing a cashless Nigeria be widely publicised especially among rural dwellers. Although the cashless policy was another way of further integrating the economy of Nigeria into that of capitalist economies for easy continuation of exploitation of the former by the latter, if properly implemented in all the 36 states of the federation and Abuja (FCT), the policy has the potentiality of not only reducing the pressure on Naira notes but also transforming payment systems in Nigeria.

7.12 Problems and Challenges so far Encountered

The problems and challenges so far faced by the new cashless policy in Nigeria include: fraud, indiscriminate deductions from consumers' accounts, high rate of illiteracy, inefficiency as well as inadequate infrastructure and epileptic public power supply.[66] These are briefly discussed below.

The policy faced the danger of payment fraud. Experiences of the phase I and II pilot schemes in Lagos, and five additional states (Abia, Anambra, Kano, Ogun, Rivers,) and the Federal Capital Territory (FCT) respectively, have so far witnessed high incidence of fraud. For instance, there were occurences of subjecting customers to multiple charges by banks in the states where the policy has so far been introduced. This is in addition to the

[66] W.D. Olanipekun, et.al, "Integrating Cashless Economic Policy in Nigeria...", *op.cit*, pp. 6-7.

normal 'Commission on Turn Over' (COT) charged by the banks on their customers. All these means, innocent customers could be exploited by the financial institutions in the name of providing electronic financial services.[67]

The Lagos and other states experiences also revealed that there were cases of indiscriminate deductions from consumers' accounts, arising from inefficient mastery of the new technology by the financial service providers.[68]

A country like Nigeria that had a high rate of illiteracy of up to 61.3%[69] would not embrace a cashless economy without some challenges. Illiteracy was no doubt among others, one of the greatest impediments in the country's shift towards a cashless society. Many people in the country could not even read and write, not alone to talk of how to operate electronic devices like ATMs, POS, PCs and mobile smart phones, through which the cashless policy can be implemented. Part of the consequences of this problem was unnecessary delay caused by people who operated the devices especially the ATMs, but did not know how to operate them efficiently.[70]

Another challenge to the successful implementation of the cashless policy is inefficiency brought about by poor infrastructure. For example on many occasions people go to ATMs to make withdrawals, the cash is not dispensed to them even after the system had debited their accounts, or there may be problem of network failure. Thus with this, the ATM and POS machines cannot work when the consumers need them.[71]

Inadequate infrastructure and epileptic public power supply was another challenge that hindered successful implementation of the cashless policy in Nigeria. This ranged

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[67] O.O. Ovat, "The Central Bank of Nigeria's Cashless Policy in Nigeria...", *op.cit*, p. 131.
[68] *Ibid.*
[69] See M.A. Yusuf, et.al, "Comparative Study of the State of Literacy in Nigeria and Cuba", *European Scientific Journal*, Vol. 19, No. 19, July 2013, p. 37.
[70] Field observation by the researcher at various ATM centres in the study area. See also, A.A. Sokoto and L. Haruna, "Cashless Policy and the Nigerian Economy...", *op.cit*, p. 153.
[71] Habibu Isah Muhammad (Head of Marketing), Sterling Bank, Birnin Kebbi Branch, Thursday, 4th August, 2015. This is actually the popular experience of many bank customers in Nigeria who use ATMs.

from network failure, to inadequate ATMs and POS terminals and epileptic power supply, which was critical to efficient electronic payment system. For example, some ATMs and POS terminals could not work when the consumers needed them because it was either out of service or unable to dispense cash. Another known infrastructural challenge was the public power supply system. Electric power is critical for efficient electronic payment. Unfortunately in Nigeria, the power system was very epileptic where it was available and in most rural areas it was nonexistent.[72] These problems have undoubtedly militated against success of the cashless policy in Nigeria.

7.13 Benefits derivable from the Cashless Policy and its likely future in Nigeria

The benefits which Nigerians can derive from the cashless policy are to be shared among three main groups. They are; the people who own bank accounts and subscribe to the facilities provided by the policy (consumers), corporate organizations and the government. For the consumers, it brings about increased convenience, more service option, reduced risk of cash related crimes, cheaper access to out of branch banking services and access to credit. For corporate organizations, it ensures faster access to capital, reduced revenue leakage and reduced cash handling costs. For the government, it brings about increased tax collection, greater financial inclusion, reduced revenue leakage and increased economic development.[73]

The likely future of the cashless policy in Nigeria if the above problems and challenges are to be overcomed and the policy be properly implemented, ranges from reduction in cost and risk of using cash, to reduction in subsidy of cash transaction costs,

[72]O.O. Ovat, "The Central Bank of Nigeria's Cashless Policy in Nigeria...", *op.cit*, p.131.
[73]A.B. Paul, and O. Friday, "Nigeria's Cashless Economy: The Imperatives", *International Journal of Management and Business Studies*, Vol. 2, No. 2, 2012, pp. 33-34. Also, in a discussion with Malam Abdullahi Bawa, *op.cit*.

promotion of formal economy, reduction of corruption, creation of employment opportunities,[74] etc. These are also briefly explained below:

One of the benefits derivable from cashless policy in Nigeria is reduction in the cost of handling cash. A cash-based economy is usually associated with high cost of cash along the value chain – from the CBN and the banks to corporations and individuals; everyone bears the high costs associated with volume of cash handling. A shift towards a cashless economy will alleviate these costs. Operational costs are due to the high costs accrued in cash management, currency sorting, cash movements and frequent printing of currency notes. All these, ultimately manifest as allowances on the side of bank personnel and charges on the side of customers.[75]

The policy also reduces the risk associated with using cash in an economy. The use of physical cash encourages cash related crimes like armed robberies and burglaries. It can also lead to financial losses in case of fire outbreaks. But a cashless economy minimizes such negative consequences.[76]

Another benefit is reduction in subsidy of cash transaction costs. A cash–based economy is alwas associated with high subsidy of cash transaction costs. A recent research conducted by the CBN in 2013, revealed that 90% of bank customer daily withdrawals were of amounts below ₦150,000; whereas, only 10% of bank customers who withdrew over ₦150,000 were responsible for the rise in cost of cash management being incurred by all the bank customers.[77] This implies that the entire banking population subsidizes the costs that the minority 10% incurs in terms of high cash usage. A cashless economy will

[74]W.D. Olanipekun, et.al, "Integrating Cashless Economic Policy in Nigeria...", *op.cit*, p. 7.
[75]M. Omotunde, et.al, "Impact of Cashless Economy in Nigeria", *Greener Journal of Information and Communication System*, 2013, Vol. 1, No. 2, p. 43.
[76]*Ibid*.
[77]CBN 2013 Statistical Bulletin, published July, 2014.

reduce this subsidy and make the minority 10% of the banking population account for the cost of cash management they incur rather than the entire banking population.[78]

The policy also promotes formal economy. High cash usage results in a lot of money outside the banking system or formal economy. This militates against the effectiveness of monetary policy in managing inflation and boosting economic growth. A cashless economy stands to arrest this.[79]

It checks corruption in an economy. A cash-based economy encourages corruption manifesting in form of money laundering, leakages etc, whereas a cashless society reduces such fraudulent practices.[80]

It also provides employment opportunities. The policy if successfully implemented is also expected to create more employment opportunities. This can be achieved through charges which banks are going to be generating from their customers and make it available as loan for the low and middle income earners especially those that run small and medium scale businesses respectively. The increase in velocity of the financial services due to cashless policy would equally ensure growth in the financial sector and the economy of the country as a whole.[81]

Other recent important developments in the financial history profile of Nigeria worthy of noting here were the introduction of new ₦100 banknote, and use of bank verification number known as BVN by all account holders in the country. The BVN was introduced by the CBN in collaboration with all Nigerian banks to give each bank customer in Nigeria a unique identity across Nigerian banking industry, which can be used for easy identification and verification at point of banking operations as well as for 'know

[78] S.T. Tunji, "The Effect of Cashless Banking on Nigerian Economy", *Canadian Journal of Accounting and Finance*, vol. 1, No. 2, 2013, p. 14.
[79] A. Blankson, "The New CBN Cash-less Policy: An Overview", *Newsletter*, 2012, pp. 4-5.
[80] *Ibid*, p. 5.
[81] W.D. Olanipekun, et.al, "Integrating Cashless Economic Policy in Nigeria...", *op.cit*, p. 7.

your customer' (KYC) purposes.[82] The new ₦100 was introduced to commemorate one hundred years of Nigeria's existence as a nation, from 1914 to 2014. It was unveiled by the former President, Goodluck Ebele Jonathan on Wednesday, November 12, 2014 and promised to be in circulation as from Friday, December 19, 2014 (see appendices XV & XX). Speaking at the unveiling ceremony, the CBN Governor, Godwin Emefiele, explained that the new banknote was designed with enhanced security to offer robust resistance against counterfeiting. Some of the authentication features of the note include window micro-optics, showing the national flag and numeral 100 indicating the value of the denomination and the attainment of centenary period. The new design also retains the portrait of Chief Obafemi Awolowo both in the ink and in a paper as a shadow image on the front and raised embossed line to assist visually impaired persons in recognizing the face value. In addition, there is a spark feature of a rolling manilla bar, which was one of the medium of exchange during the pre-colonial times. At the back side of the new currency, is the introduced Quick Response Code (QRC), a digital communication feature that highlights and sources all the information about the centenary. Similarly, with the QRC application, the barcode on the bank note can be scanned by users to read a brief history of Nigeria. The new note was also meant to be circulated alongside the existing old ₦100.[83]

7.14 Conclusion

In a bid to promote globalization, which is an ongoing trend for achieving imperial goals in the developing countries by the western capitalist powers, electronic banking and

[82] See CBN Circular Reference Number BPS/DIR/GEN/CIR/01/015, "Clarification Circular on Bank Verification Number (BVN) Enrolment", dated Tuesday 21st October, 2014.
[83] See O. Adetayo, "Jonathan Unveils N100 Commemorative Notes", *The Punch Newspaper*, November 12, 2014 and S. Uguwanyi, "CBN to begin Circulation of Commemorative N100 Note Today", Daily Post Newspaper, December 19, 2014, available online at http://dailypost.ng/2014/12/19/cbn-begin-circulation-commemorative-n100-note-today/.

payment systems whereby banking and other financial transactions are carried through automated processes and electronic devices such as the ATMs, PCs, mobile phones and POS terminals; are gradually taking ground in Nigeria. This followed the revolution in the banking sector of the country which began with the adoption of electronic banking system especially by the new generation banks from the late 1980s, through the 1990s and of course up to the present time. The introduction of electronic payments in the formal sector initially by the Federal Government effective from 1st January, 2009 and its subsequent adoption by various state governments in the country as from 2010 provided an impetus for the subsequent introduction of the cashless policy. Although the policy especially as it affects charges on excess cash withdrawal limit, has not yet been effectively introduced in the study area, insufficient channels through which the policy can be implemented as well as encashment of 3rd party cheque have already been put in place. Having successfully introduced phases I & II pilot schemes of the policy, though with some challenges and problems, the 3rd and last phase which was meant to cover substantial part of the country (30 states including the area covered by this study) with effect from 1st July, 2015; is yet to be actualized. This was despite the lapsing of both the initial starting and waiver period for commencement of the policy in the remaining 30 states.

The delay in effectively commencing the cashless policy in the larger part of the country is informed by insufficient facilities and infrastructure such ATMs, POS, epileptic power supply, internet/mobile communication network, as well as lack of awareness among larger population of Nigerians about the policy. To successfully implement it nationwide therefore, the CBN has to ensure provision of adequate infrastructural facilities needed by the policy and embark on nationwide publicity to sensitize more Nigerians on the benefits and prospects of the policy.

CHAPTER EIGHT

GENERAL CONCLUSION

This study has examined the history of modern currency in the former Sokoto Province of Nigeria from 1903 to 2015. While the year 1903 was when the study area became formerly incorporated into the British economic system, 2015 was the year set aside by the CBN to extend coverage of the cashless policy to the entire Nigeria. The study area covered by this research is equivalent to present day Sokoto, Kebbi and Zamfara States. It is apparent from this study that the former Sokoto province in particular and Nigeria in general have experienced transitions in terms of history of means of exchange relations and monetary system. This ranged from barter system to the use of what scholars refer to as 'trade', 'traditional', 'native' or 'local' currencies. But based on the European travellers' accounts and oral data collected from the study area, it is evident that the type of currency that featured prominently in Sokoto Province before the imposition of the British rule was cowries. Various European currencies such as Maria Theresa and Spanish dollars, have equally served as mediums of exchange in some parts of the area covered by this study, before the British coins and bank notes later became the medium of exchange in the region and indeed in the entire country. The British currencies were introduced in the colonies for both political and economic reasons, which ranged from the need to provide portable means of payment to colonial officers like colonial police and army officers as well as colonial civil servants, to the need by the British to meet the challenges caused by expansion in the economic activities between Nigeria and Britain during the colonial period. It was obvious that there was no way the British could exploit maximally colonised people and territories without a uniform but centrally controlled means of exchange.

However, during the early days of colonial rule Nigerians had to be persuaded, encouraged and sometimes coerced to accept the newly introduced British currencies in

place of the multiple numbers of pre-colonial currencies. Some of the measures took by the British to ensure acceptability of their newly introduced currencies during the early period of colonial rule in Nigeria included institution of direct taxation, court fees and fines, which were compelled to be paid in the British currencies. Other avenues through which the British gradually introduced her currencies into public acceptability in the former Sokoto Province and in Nigeria in general were through payment of carriers and labourers who worked for construction of colonial infrastructures like roads, railway lines, bridges, schools, hospitals, wells, and there were also colonial proclamations, ordinances, and decrees urging citizens to disregard indigenous currencies as legal tender, promotion of export production and import trade; and then later through development of banks, which transacted only in the British currencies.

Through the use of colonial financial institutions like the BBWA and the WACB, the supply and circulation of the British currencies were ensured in colonial Nigeria and other British West African territories. Thus, despite occurrence of global tragedies like the First World War, the Great Depression and the Second World War as well as their impact on the economy and society of the entire world; the British currencies have survived colonial period as the chief medium of exchanges and means of payments in the former Sokoto Province in particular and in Nigeria as a whole.

As Nigeria approached its political independent date in 1960, efforts were also made to place the country for economic independence. Some of such efforts were the establishment of the country' apex bank- the Central Bank of Nigeria on 1st July, 1959 and introduction of what could be considered as Nigeria's independent currencies. Consequent upon this development, the WACB notes and coins, which had hitherto circulated as medium of exchange in the province began the process of withdrawal as legal tender from the Nigeria. The process was eventually completed in December, 1962.

From 1973 to date various denominations of the Naira and Kobo (both in coins and banknotes) have entered market places and changed many hands in the study area. The introduction of different denominations of the Naira and kobo, have been attributed to both political and economic developments in the country. For instance the introduction of ₦20 note in 1977, which was the highest denomination in Nigeria until in 1991 when the ₦50 was introduced, was as a result of the need for more convenience in cash transactions, following the growth of income in the country caused by 'oil boom' of the 1970s. Changes were also effected on the Nigerian currency as a result of the economic recession of the 1980s. Similarly, the introduction of higher denominations known as the 'millennium package', as from 1999, were to facilitate efficient payments system and in response to expansion in economic activities after transition to democratic rule in the country. On the political sphere, the ₦20 was issued in February, 1977 as a tribute and to commemorate the assassination of the late Head of State, General Murtala Ramat Muhammed who was killed on 13th February, 1976. So also, the new ₦100 currency note issued in 2014, was to commemorate one hundred years of Nigeria's existence since 1914 as one political entity.

This study also discussed important and impactful government programmes and policies such as the SAP, the NDIC and bank consolidation policy. It has been argued in this study that while the devaluation of Naira and deregulation of interest rates have caused inflation and continuous falling value of the Naira both in terms of what the currency could buy locally and in terms of its foreign exchange rates; the establishment of NDIC and introduction of bank consolidation policy were meant to ensure sound and stable banking and financial sector in the country.

The Nigerian monetary sector has also witnessed the beginning of electronic banking popularly known as (online or e-banking) and electronic payments (e-payments) during the last decade of the 20th century and first decade of the 21st century respectively.

This study revealed that these two developments eventually provided an enabling environment for the introduction of yet another monetary policy, tagged 'cashless policy', barely less than two decades thereafter. Though it was brought by the need of contemporary dimension of imperialism, the new policy was a turning point in the country's monetary history, as for the first time, it encouraged the use of less cash in the country's exchange relations. It was first introduced as a pilot scheme in Lagos state on April 1st, 2012 and then, extended to five other states of the Federation as well as Federal Capital Territory (FCT) on the 1st July, 2013. Although charges on cash transactions above pegged limit, which is an important aspect of the policy, have not yet been effectively commenced in our study area, a number of financial services that are prelude to it are already started. They include mobile banking system, use of POS terminals and ATMs, as well as prohibition of encashment of third party cheques beyond ₦150,000. Though not completely adequate, all these are now country wide financial activities and features.

It is the discovery of this study that the failure to comprehensively and adequately commence the policy in the area covered by this research and other country's territories where it has not yet been commenced is not unconnected with inadequate infrastructural facilities. All the channels through which the cashless policy can be implemented- ATMs, POS terminals, mobile and PC banking are grossly inadequate even among urban dwellers in the study area and in the entire country indeed, not alone to talk of the rural dwellers. Majority of people in the study area particularly the rural dwellers who are the majority, do not have access to internet, newspapers, television, or even radio. This is in addition to the fact that most of them do not even have bank accounts and there is no wider publicity of the policy among larger population of the region. These problems have clearly shown that Nigeria is not absolutely ripe for the policy.

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- Abdullahi Bawa (Head of Banking), CBN, Sokoto Branch, on Wednesday, 17th July, 2013 & Tuesday 30th December, 2014. Present at the interview on Wednesday, 17th July, 2013 was Alhassan Zayyanu Abdullahi, Registry Department, UDU, Sokoto.

- Abubakar Gama, formerly a merchant, 87 years, interviewed at his residence in Augie, on Wednesday 1st October, 2014.

- Ahmad Sanda (Professor of Financial Economics), 55 years, Department of Economics, UDUS, on Sunday 16th August, 2015.

- Ahmadu Koko, formerly a washman, 85 years, interviewed at Masallacin Gidan Wali, Yelwa-Yauri, on Sunday 29th June, 2014.

- Alhaji Muhammadu Shehu, commercial vehicle driver, 67 years, at his residence in Kaura Namoda, on Sunday 30th August, 2015.

- Alhaji Muhammadu Shala Kaura Namoda, formerly a businessman, 81 years, at his residence in Kaura Namoda, on Sunday 30th August, 2015.

- Alhaji Musa Mai Chanji, 56 years, in front of Alhaji Sahabi 'Yar Abba Bureau De Change Office, Tsohuwa Kasuwa, Sokoto, on Sunday 23rd August, 2015.

- Alhaji Tanimu Suleiman (Sarkin Noman Yauri), 69 years, at his residence in Yelwa-Yauri on Wednesday 9th October, 2013.

- Alhaji Umaru Sarkin Kanwan Sakrin Musulmi, 65 years, on Saturday 23rd August, 2015 and Saturday 29th August, 2015. The first interview took place in front of Alhaji Sahabi 'Yar Abba Bureau De Change Office, Tsohuwa Kasuwa, Sokoto while the second interview took place at the informant's residence, Sabon Birni Area, Sokoto.

- Aliyu Jibrin Yelwa (Sardaunan Yauri & former CBN Director of Currency Operations), 80 years, at his residence in Yelwa-Yauri, on Monday and Tuesday 6th and 7th October, 2014. Present at the interview on Monday 6th October, 2014 was Alhaji Atiku Ahmad Wali (then, Shari'ah Court Judge), Zuru, Kebbi State.

- Aliyu Mai Katako, Businessman, 57 years, at his residence, Nasarawa Area, Yauri, on Sunday 19th July, 2015.

- Aliyu Sahabi 'Yar Abba (Chairman, Sokoto State Association of Bureau De Change), 53 years, at his office, No. 123, Sultan Bello Road, Tsohuwar Kasuwa, Sokoto, on Sunday 12th July, 2015.

- Anonymous informant, Birnin Kebbi, Kebbi State, Thursday, 30th July, 2015.

- Audu Kimba, formerly a businessman, 70 years, at his residence, Rini Area, Jega on Thursday 20th August, 2015.

- Bello Dan Sarki, businessman, 53 years, at his residence, Masallacin Shehu Area, Sokoto, on Saturday 22nd August, 2015.

- Habibu Isah Muhammad (Head of Marketing), Sterling Bank, Birnin Kebbi Branch, Thursday, 4th August, 2015 and Saturday, 23rd August, 2015.

- Ibrahim Garba Ahmad, (Head of Cash and Cashless Champion), CBN Sokoto Branch, on Wednesday 31st December, 2014.

- Ibrahim Maginga Gungun Sarki, formerly a merchant, 80 years, interviewed in front of his residence in Gungun Sarki, on Saturday, 29th September, 2012.

- Ibrahim Sadiq Garba, (Manager, Legal Services of the NSPMC), 52 years, at his office in Abuja on Friday 26th December, 2014.

- Ibrahim Shehu (Principal Cashier I), Ministry of Finance, Sokoto, Sokoto State, Tuesday, 4th August, 2015. Present at the interview was Dr. Abubakar Sama'ila, Lecturer, Department of History, UDU, Sokoto.

- Ilyasu Abubakar Gidan Kaya (seller of old currencies) at Kofar Gabas (Sokoto Central Market), 81 years, on Saturday 28th September, 2013 and Saturday 15th March, 2014.

- Isa Marafa, (Principal Accountant), 48 years, at his office, Ministry of Finance, Sokoto, Sokoto State, Tuesday, 4th August, 2015. Present at the interview was Dr. Abubakar Sama'ila, Lecturer, Department of History, UDU, Sokoto.

- Jafaru Maisumunti, 45 years, in his shop, Canteen road, Gusau, Thursday 6th August, 2015.

- Magaji Mai Unguwa, farmer, 72 years, at his residence in Mahuta, on Wednesday 26th August, 2015. Present at the interview was Malam Yusuf Abdullahi of the Department of History & Strategic Studies, Federal University, Dutsin-Ma, Katsina State.

- Muhammadu Sani Nakwada (Zamfara State Sub-Treasurer), Ministry of Finance, Gusau, Zamfara State, Thursday, 6th August, 2015. Present at the interview was Mal. Nazir Ibrahim Abbas, Lecturer, Department of Nigerian Languages, UDU, Sokoto.

- Muhammadu Shu'aibu Zurmi, retired civil servant, 79 years, at his residence in Kaura Namoda, on Sunday 30th August, 2015.

- Sama'ila Lawali Liman, businessman and civil servant, 50 years, interviewed at his residence, Samaru Area, Gusau, on Friday 4th September, 2015.

- Shafi'u Muhammad (Head of Establishment), NDIC Zonal Office, Sokoto, on Wednesday, 22nd July, 2015.

- Yakubu Gogo, farmer, 62 years, at his residence in Tudun Wada, Mahuta, on Wednesday 26th August, 2015. Present at the interview was Malam Yusuf Abdullahi of the Department of History & Strategic Studies, Federal University, Dutsin-Ma, Katsina State.

- Yasar Adamu, (Customer Service Officer- CBN Gusau), interviewed in Gusau, at his residence, on Sunday 26th July, 2015.

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Appendix I:

Summary of major changing trends of currency in the former Sokoto Province since pre-colonial period

Year	Currency	New Denominations	New Features and Remarks
Pre-colonial period	Cowries, slaves, cloths, etc		
Early colonial period	Early British coins	2s, 1s, 6d, 3d, 1d, 1/2d, 1/10d	Carrying picture of the British monarch
1916	British West African pounds and shillings. WACB issued currency notes for the first time	£1, 10s, 2s	'West African Currency Board' was written on the currency notes
1919	WACB pound	£5	Post World War I demand for higher currency denomination necessitated its introduction
1953	WACB shillings	20s	Increasing economic and political activities of the late 1940s and 1950s necessitated the introduction
1959	Nigerian pounds and shillings	Notes: £5, £1, 10s, 5s Coins: 2s, 1s, 6d, 3d, 1d, 1/2d	CBN issued Nigerian notes and coins and withdrew the WACB notes and British coins.
1965	Nigerian pounds and shillings	Same currency notes denominations as in 1959. No new coins denominations	Legal tender status was changed to reflect Nigeria's republican status
1968	Nigerian pounds and shillings	No new denomination issued but colours of the existing ones were changed	Notes were changed as a war strategy
1973	Naira and kobo	1/2k, 1k, 5k, 10k, 25k coins ₦1, ₦5, ₦10 notes.	Decimal notes and coins were first issued. ₦1 replaced £1 as the major unit of currency
1977	Naira and kobo	₦20	(i) Highest denomination of ₦20 note was first issued. (ii) First currency note bearing portrait of a Nigerian citizen.
1979	Naira and kobo	No new currency notes introduced, the existing ones were however redesigned	₦1, ₦5 and ₦10 bearing the photographs of Nigerians
1984	Naira and kobo	Colour of the four existing currency notes were swapped	

1991	Naira and kobo	₦50 note, ₦1 and 50k notes were coined, and the old ten kobo (10k) coin had its colour and shape changed.	The new note bore the portraits of three Nigerian citizens: The Yoruba, Hausa and Igbo.
1999	Naira and kobo	₦100	Front view bearing portrait of late Chief Obafemi Awolowo, Premier of the defunct Western Region of Nigeria.
2000	Naira and kobo	₦200	Front view bearing portrait of late Sir, Ahmadu Bello the Sardauna of Sokoto & Premier of the defunct Northern Region of Nigeria.
2001	Naira and kobo	₦500	Front view bearing portrait of Dr Nnamdi Azikiwe, the first Nigerian President.
2005	Naira and Kobo	₦1000	Front view bearing portraits of Alhaji Aliyu Mai-Bornu and Dr Clement Isong, the first two indigenous governors of the CBN
2007-2009	Naira and Kobo	Introduced new designs of ₦50, ₦20, ₦10 and ₦5 (in polymer notes). Introduction of ₦2 and the reintroduction of ₦1 and 50k coins, Withdrew 1/2 k and 25k from circulation.	
2014	Naira and Kobo	Re-designed ₦100 note was introduced to commemorate one hundred years of Nigeria's existence as one political entity from 1914-2014	

Source: largely adopted from P. Nwaoba, "The Political Economy of Currency Re-denomination by Countries", in *Bullion:* A Quarterly Publication of the Central Bank of Nigeria, Vol. 34, No. 4, October-December, 2010, pp. 27-28 and from personal efforts by the researcher.

Appendix II: samples of cowry currency





Source: CBN @ 50, Golden Jubilee Publication of the CBN, Abuja, 2009, p. 11.

Appendix III: Early forms of British Currency



2s (two shillings- *sulai biyu*)



1s (One shilling- *sulai daya*)



6d (six pence- *sisi*)



3d (three pence- *taro*)



$1^{1/2}$d (one and half penny- *ahu*)



1d (one penny- *kwabo daya*)



1/10d (one tenth of a penny- *anini*)

Source: Museum Victoria Collections, available online at
http://collections.museumvictoria.com.au/items/71042

Appendix IV: Samples of WACB notes



1s (one shilling- *sulai daya*)



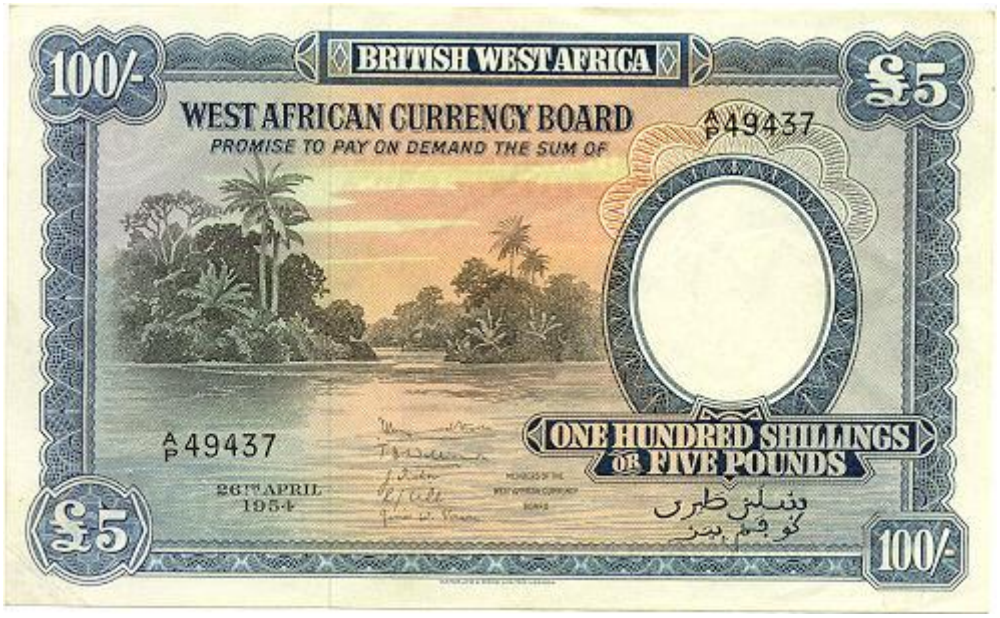
2s (two shillings- *sulai biyu*)



10s (ten shillings- *sulai goma*)



20s (twenty shillings- *sulai ashirin*)



£5 (five pounds- *fam biyar*)

Source: CBN @ 50, Golden Jubilee Publication of the CBN, Abuja, 2009, p. 11.

Appendix V: Currency notes and coins issued by the CBN in 1959

Central Bank of Nigeria



Five Pounds- *fam biyar*
Material: Paper
Withdrawn: 1965



One Pound- *fam daya*
Material: Paper
Withdrawn: 1965



Ten Shillings- *sulai goma*
Material: Paper
Withdrawn: 1965



Five Shillings- *sulai biyar*
Material: Paper
Withdrawn: 1965



Two Shillings- *sulai biyu*
Material: Silver
Withdrawn: 1973



One Shilling- *sulai daya*
Material: Silver
Withdrawn: 1973



Six Pence- *sisi*
Material: Silver
Withdrawn: 1973

Three Pence- *taro*
Material: Gold
Withdrawn: 1973



1 Pence- *kwabo daya*
Material: Bronze
Withdrawn: 1973



Half Pence- *dari*
Material: Bronze
Withdrawn: 1973



Source: www.cbnmusiumgalary.ng.com; http://www.cbn.gov.ng/Currency/Oldnotes/coins/1959.asp

Appendix VI: 1965 currency notes issued by the CBN (the name "republic" was added to read "Federal Republic of Nigeria" in place of "Federation of Nigeria").

Central Bank of Nigeria



Five Pounds- *fam biyar*
Material: Paper
Withdrawn: 1968



One Pound- *fam daya*
Material: Paper
Withdrawn: 1968

Ten Shillings- *sulai goma*
Material: Paper
Withdrawn: 1968



Five Shillings- *sulai biyar*
Material: Paper
Withdrawn: 1968



Source: www.cbnmusiumgalary.ng.com; http://www.cbn.gov.ng/Currency/Oldnotes/1965.asp

Appendix VII: 1968 currency notes issued by the CBN (colour of the paper notes were changed after the civil war)

Central Bank of Nigeria



Five Pounds- *fam biyar*
Material: Paper
Withdrawn: 1973



One Pound- *fam daya*
Material: Paper
Withdrawn: 1973



Ten Shillings- *sulai goma*
Material: Paper
Withdrawn: 1973

Five Shillings- *sulai biyar*
Material: Paper
Withdrawn: 1973



Source: www.cbnmusiumgalary.ng.com; http://www.cbn.gov.ng/Currency/Oldnotes/1968.asp

Appendix VIII: Decimal currency notes and coins (Naira and kobo) issued by the CBN in 1973

Central Bank of Nigeria



Ten Naira- *Naira goma*
Dimension:
151 x 78 mm
Material: Paper
Withdrawn: 1977



Five Naira- *Naira biyar*
Dimension:
151 x 78 mm
Material: Paper
Withdrawn: 1977



One Naira- *Naira daya*
Dimension:
137 x 78 mm
Material: Paper
Withdrawn: 1977

Fifty Kobo- *kwabo hamsi* or *sulai biyar*
Dimension:
127 x 78 mm
Material: Paper
Withdrawn: 1991
Reissued as a coin, still officially in circulation



Twenty Five Kobo- *kwabo ashirn da biyar* or *biyu da sisi*
Material: Silver
Withdrawn: 1991



Ten Kobo- *kwabo goma* or *sulai daya*
Material: Silver
Withdrawn: 1979
Reissued in Bronze in 1991



Five Kobo- *sisi*
Material: Silver
Withdrawn: 1979
Reissued in bronze in 1991



One Kobo- *kwabo daya*
Material: Bronze
still officially in circulation



Half Kobo- *sisin kwabo*
Material: Copper
Withdrawn: 1991



Source: www.cbnmusiumgalary.ng.com; http://www.cbn.gov.ng/Currency/Oldnotes/coins/1973.asp

Appendix IX: Currency note issued by the CBN in 1977 (₦20)

Central Bank of Nigeria

Twenty Naira- *Naira ashirin*
Dimension:
151 x 78 mm
Material: Paper
Withdrawn: 1984



Source: www.cbnmusiumgalary.ng.com; http://www.cbn.gov.ng/Currency/Oldnotes/1977.asp

Appendix X: Currency notes issued by the CBN in 1979 (photographs of three prominent Nigerians were placed on the three currency notes namely ₦10, ₦5 and ₦1)

Central Bank of Nigeria

Ten Naira- *Naira goma*
Dimension:
151 x 78 mm
Material: Paper
Withdrawn: 1984



Five Naira- *Naira biyar*
Dimension:
151 x 78 mm
Material: Paper
Withdrawn: 1984



One Naira- *Naira daya*
Dimension:
137 x 78 mm
Material: Paper
Withdrawn: 1984



Source: www.cbnmusiumgalary.ng.com; http://www.cbn.gov.ng/Currency/Oldnotes/1977.asp

Appendix XI: Currency notes issued by the CBN in 1984 (colours of the currency notes were swapped except 50k)

Central Bank of Nigeria

Twenty Naira- *Naira ashirin*
Dimension:
151 x 78 mm
Material: Paper
Still in circulation



Ten Naira- *Naira goma*
Dimension:
151 x 78 mm
Material: Paper
Still in circulation



Five Naira- *Naira biyar*
Dimension:
151 x 78 mm
Material: Paper
Still in circulation



One Naira- *Naira daya*
Dimension:
137 x 78 mm
Material: Paper
Withdrawn: 1991
Reissued as a coin - still officially in circulation



Source: www.cbnmusiumgalary.ng.com; http://www.cbn.gov.ng/Currency/Oldnotes/1984.asp

Appendix XII: Currency notes and coins issued by the CBN in 1991

Central Bank of Nigeria

Fifty Naira- *Naira hamsin*
151mm x 78 mm
Material: Paper
Withdrawn and Redesigned: May, 2007



One Naira- *Naira daya*
Material: Nickel
Withdrawn and Redesigned: May, 2007



Fifty Kobo- *kwabo hamsin* or *sulai biyar*
Material: Nickel
Withdrawn and Redesigned: May, 2007



Ten Kobo- *kwabo goma* or *sulai daya*
Material: Bronze
Withdrawn: May, 2007



Source: www.cbnmusiumgalary.ng.com; http://www.cbn.gov.ng/Currency/Oldnotes/coins/1991.asp

Appendix XIII: The millennium package issued by the CBN as from 1999 to 2005

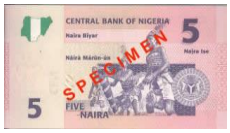
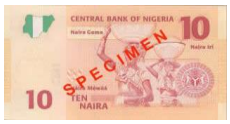
Central Bank of Nigeria

Currency	Front	Back
One Hundred Naira- *Naira dari*		
Two Hundred Naira- *Naira dari biyu*		
Five Hundred Naira- *Naira dari biyar*		
One Thousand Naira- *Naira dubu*		

Source: www.cbnmusiumgalary.ng.com, http://www.cbn.gov.ng/Currency/milleniumpackage.asp

Appendix XIV: Polymer currency notes and new coins issued by the CBN, 2007-2009

Central Bank of Nigeria

Currency	Front	Back
Five Naira- *Naira biyar*		
Ten Naira- *Naira goma*		
Twenty Naira- *Naira ashirin*		
Fifty Naira- *Naira hamsin*		
Two Naira- *Naira biyu*		

50 Kobo- *kwabo hamsin*





One Naira- *Naira daya*





Source: www.cbnmusiumgalary.ng.com; http://www.cbn.gov.ng/polymercurrencynotes/newcoins.asp

Appendix XV: Front and back views of commemorative ₦100 note (*Naira dari*) issued by the CBN in 2014

Front view



Back view



Source: http://www.cbn.gov.ng/onehundredyarscommemorativecurrencynote.asp