



ESU AND AJO - YORUBA CREDIT CLUBS

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Traditional Yoruba society has always had its self-created means of obtaining capital or credit some of which have survived till today. Arguably, they cater more meaningfully to the needs of ordinary people than the more complicated and more demanding westernized institutions do. Traditional credit clubs are groups of people who come together for the specific purpose of creating a fund. People come together this way from all walks of life, the educated and the uneducated alike.

The groups are, in essence, self-help groups which through the making of regular, often modest, contributions create a sizeable amount which can be used for projects which need capital outlay. It can be regarded as realized savings. These traditional credit clubs exist in every part of Nigeria and are known by various names. In the West of Nigeria they are known as Esu or Ajo; in the east as Esusu, and in the North as Adashi.

Esu and Ajo are different from each other. "Esu" can be described as a mutual aid club or union. They are formed by, or limited to, persons who have some tie in common. That tie could be a place of residence or religious worship, work, or even family. The rules are, typically, that participants must make regular contributions (e.g. every week or month), of a fixed, agreed amount, for a stated overall period (sufficient to ensure the objectives of the union). The fund created is given to each member in turn until all members of the club have had the benefit of the pooled contributions. The club is then terminated. A fresh one starts for those who wish to participate, whether old member or new recruit. The order in which turns are taken are usually decided by casting lots, but it is possible for turns to be swapped according to agreements between parties.

To give an example: if 25 people agree to contribute \$10 a week that creates a pot of \$1000 a month. If the same people were traders and agreed to contribute \$250 a week, that would create a pot of \$25,000 each month. Within six months, everyone in that club would have had a turn at the pot - interest free. If continued on a roll-over basis, it is not hard to figure out what improvements in life could be achieved.

Variations of the club are possible. For example, a member may undertake to make contributions in multiples of the agreed amount of contribution, so that he is entitled to more than one turn. Contributions can be made against specific occurrences. In the Ijebu area of Nigeria, there are "And Co." clubs made for the specific occurrence of funerals - one of the most expensive events that can occur. Payments are only made on the death of

a relative of the participant. If death occurs within the three years of the club, the participant collects the equivalent of three years' regular contributions. If no death occurs, at the end of the three years, he gets his accumulated contributions and the club is closed down. A similar regime exists for the purpose of home-building or home purchase, called "Aro". Another exists for the purposes of farming called "Owe". Clubs formed for purposes tend to have longer existence periods than clubs just to amass capital.

Credit clubs are often brought together by a professional organizer who is remunerated for his services. The remuneration is typically an amount equal to one standard contribution from each participating member, paid once only. Thus, e.g. if 20 people make contributions of \$10 a week, the organizer's fee would be \$10 from each member (\$200) paid at a time agreed by the club or organizer. However, not all clubs are run by professional organizers. What is usual is for one designated person to be in charge.

"Ajo", on the other hand, is more in the nature of a savings club than a mutual aid venture. Under "Ajo", a participant collects what he has contributed. There is no rotational collection of periodic, amassed contributions; and membership is not limited to anyone. However, there is an agreed fixed amount paid regularly for an overall period of contributions. It is usually a short term period of about one month. In these modern times, it may be more convenient to deposit such savings in a bank, with the applicable laws for deposits, but there is an undeniable advantage in Ajo: assistance is given to maintain the discipline to save. There is a commitment and the organizer comes round to enforce it.

The importance of "esu" and "ajo" lies in the informal way capital is formed, and in the fact that it is interest-free. It can be, and is, run without paying any organizer's fee.

It has to be conceded, however, that applying these traditional systems in a modern world regularly visited by abuse has its dangers. Traditionally, there were measures taken to safeguard the system: the keeping of tallies and records; the use of witnesses, the safety net of co-operation between organizers who step in with loans to each other to ease cash-flow problems. However, flaws remain: theft, a participant who stops making his contributions after he has taken his turn and still has payments to make etc. Traditionally, the loss was borne by the organizer if paid, or the other participants - where traditional sanctions failed to work.

Some of those traditional sanctions were very effective e.g. loss of reputation and good name. To be called a "debtor" was great shame. In the past, persistent debtors were sold into slavery by their own family. A deceased debtor could be denied proper funeral rites. Customary bailiffs called "Ologos" were known and feared. Others were known as "Osomalos". They were hired to harass and dun the debtor wherever he went: lepers were recruited as Ologos. They went to the debtor's house, and if he was not in, made themselves at home in his premises. Ologos had great nuisance value: they hampered freedom of movement, seized food and animals, upended cooking pots. ran up large food bills referring the sellers to the debtor, followed the debtor everywhere - into bedroom and bathroom too - using foul and abusive language. Their power was in nuisance, not in

physical violence. Friends and relatives, even other residents of the debtor, would pay off the Ologos just to get rid of them. Modern laws of tort and crime ended the business of traditional bailiffs. One can argue about which system was more effective.

The real success of the traditional credit clubs, however, lay in the fact that recourse to the courts or enforcement machinery was not contemplated. To quote a Yoruba saying: "Esu ati Ajo o wole Ejo", namely "credit club matters do not go court". In spite of some cases of default, credit clubs continue to be an important facility in present day Nigeria catering as they do for the needs of numerous communities. In particular, persons who have no access to modern financial institutions i.e. the majority of the population.

The fact that Esu has taken root all over the world and here in America - it is regularly subscribed to in my office, a law agency for the matter - shows its power. All Africans can be proud of the institution originally created in Africa and must lay claim to it before someone comes along to take credit for it!