Rotatory Credit Schemes: A Comparative Analysis of an African Traditional Economic Institution in Contemporary Africa and its Diaspora

Iheanyi N. Osondu Ph.D.
Fort Valley State University
Fort Valley, Georgia GA 31030

Abstract

Migration is as old as history, although there was little or no information on the volume and nature of such movements before the 19th Century. Even though there were no early records, there are early international migrations that have impacted and are still impacting history. One such example is the large exodus or involuntary migration of Africans from Africa during the slave trade. Africans were carried away from their homes in Africa and brought to the new world from the 16th to the 19th Century. There have been estimates that from ten to eleven million Africans were forcibly taken away from Africa to the Americas and Caribbean Islands. This was the greatest slave migration in the history of mankind, a true diaspora. However, African slaves who were moved retained their traditional economic systems even in the very harsh and inhuman conditions of the New World. This study focuses on the interrelatedness of practices of African traditional economic systems and practices among Africans on the continent and people of African descent in Diaspora.

Introduction

Most literature on economic systems and patterns usually focus solely on Western economic theories. Little or no attention has been paid to traditional African economic systems; patterns of distribution of wealth and social services. The closest reference that any discussions on African economic systems receives is in passing reference to the informal sector within developing countries, especially of Africa, which focus mostly on the production and distribution of goods and services.

The International Labor Office (ILO) introduced the concept of the informal sector into mainstream developmental thinking in 1972. This introduction generated a lot of heated debate, which examined several aspects of the informal sector. Much of the debate focused on the definition of what is precisely meant by the informal sector (Bienefeld, 1975: 4 – 10; Bienefeld and Godfrey, 1978: 26 – 27; Moser, 1977: 31 – 39). While the debate raged, there was no consensus as to what the informal sector means. For example, some schools of thought assumed it referred to individuals (PREALC, 1976, 1978) or enterprises (ILO, 1972, Bienefeld, 1975; Seath Raman 1975, 1978; Weeks, 1976; Harries 1997). For others such as Hart (1973), it referred to specific types of occupation, while Mazumdar (1975) simply referred to it as representing a new dualism in the labor market. There was therefore no common element of agreement among scholars.

Assuming there was even a hint of agreement among scholars that the informal concept referred to economic activity, and that the basic unit of analysis was enterprise, there was no consensus as to whether the informal or formal distinction should be based singly or in combination with the internal organization of the enterprise (Seth Raman, 1975 and 1976; Harris, 1977); the number of workers employed (Seth Raman, 1976; Harries 1977, Souza and Tockman 1976 and Harris 1977); the legality or illegality of the enterprise (Seth Raman, 1975; De Soto, 1989); some characteristics of the work force

(Sethuraman, 1976); the use of traditional or modern methods (Joshi, et al. 1976); the use of electricity (Sethuraman, 1976, Harris 1977); whether or not the enterprise is listed in government statistical records (Weeks, 1976); and if there is any link with formal institutions or government (Sethuraman, 1976; Weeks, 1976; Osondu,1992).

Even the neo- Keynsian traditional economists who adopted the informal sector concept were equally criticized by the neo-Marxists, who produced reports in which such concepts as "petty production," "petty trade," "petty commodity production," "petty commodity sector," and "petty commodity mode of production" figured prominently. Just like the debate on the informal sector, there was no consensus as to the definition (Osondu, 2002). Other terms that have been used to describe economic activities in developing countries that exist within the informal sector are "unconventional" (Osondu, 1992) or "self-help" (Turner, 1972, 1976, 1982). The term unconventional or informal activity is used to define non-profit organizations that are formed by indigenous people to help them meet the demands of urban life (Osondu, ibid., 105). In spite of their inadequacies, rather than engage in a critique of their appropriateness, in order to put its analysis within the framework of accepted discourse on African economic activities, this paper will use these terms. In Nigeria, as in most other developing countries of Africa, unconventional or informal financial institutions have grown due to the scarcity and lack of access to conventional or formal institutions by many urban low-income groups.

The most common type of informal financial association found among people of African descent is the rotatory credit association or rotatory credit union. These associations or unions are saving institutions that enable participants save for projects such as urban housing (Osondu, 1992). There are, however, many varieties of rotatory credit associations, not only among different countries, but also within a single community Ardener (1964) defines rotatory credit associations as organizations formed by a core of participants who agree to make regular contributions to a fund, which is given in whole or in part to each contributor in rotation. The essential elements are therefore that there is a regularity of payments and a systematic rotation of funds among the participants (Osondu, 1992). It is these elements that distinguish them from mutual benefit clubs and co-operative societies found in some western democracies, which supply goods to their members, with profits going to members.

As noted above, there are many forms or variations on the basic themes of rotatory credit associations, differing from group to group and from one society and culture to another. For example, in some groups a lump sum is fixed and it is contributed periodically (Geertz, 1962). In others there is no fixed sum of money (Bascom, 1952; Little, 1957). While in some groups one member receives the whole contribution, in others the total contribution is split between one or two members (Ardener, 1953). Moreover, there are some credit associations that are not strictly rotatory in the sense that their total contribution is not shared out, but pooled together for a specific period or purpose. In this case, members are free to borrow in the interim from the common fund which still allows some form of rotation of the common fund (Osondu, 1992).

Although there are many variations in the organization and membership of these associations, a typical credit union is one in which a group of individuals make fixed contributions of money at regular intervals, and the lump sum is distributed to each member in turn, in part or whole (Bascom, 1952;Ardener, 1964; Geertz, 1962; Osondu, 1992). The number of participants, amounts contributed, and length of interval at which they are made vary from one group to another. Theoretically, members are paid in one lump sum, exactly what they had contributed, with nobody gaining or losing. This practice is not based on any complicated or complex economic theory. Rather its success is dependent on group co-operation and self-help, which is both cultural and economic, and it is manifested through the provision of lump sums of money to members (Osondu, 1992).

It has been argued that the last member to receive, though creditor to all, faces reduced value of their savings during periods of high inflation. This, however, does not appear to bother members who receive last nor does it stop groups from forming, since the rationale is not based on Western economic concepts, but on the traditional cultural value systems of members. The main advantage is that members will have large sums of money to meet their needs, which may not be easy for them to accumulate if they were saving individually. Group contribution is not only inspirational but also helps members to be motivated and disciplined towards savings because participation is seen as a commitment to the group's success. Defaulting, therefore, potentially entails a loss of esteem among one's peers. This is a particularly powerful motivation in close-knit societies where the principle of adhering to cultural values is a way of life.

Membership

The membership of a rotatory credit association is not fixed but may vary depending on the number of people willing to participate. In some cases, membership may be based on sex, age, kinship, ethnic affiliation, locality, occupation, status, religion and education. Membership may also be dependent on other factors such as membership of a parent organization like town union (Osondu, 1992). For instance, among the Igbos, age-grade associations and town unions often organize rotatory credit subsidiaries in which the management is purely restricted to members of the parent associations. In this regard, the age-grade association or town union is at a higher level of the organizational ranking, while the rotatory credit unions are sub-groups. However, since groups are formed along close ties like status, age-grade, and kinship, there is a great deal of mutual trust and understanding among participants which members are extremely reluctant to lose by defaulting.

Due to the closeness of the participants, defaults are few, but even when they occur, settlements are sought outside the legal system except where the defaulter refuses to accept the decision of the elders or officials of the parent association. Also, it is a matter of considerable shame for defaulters to lose the confidence of their kin, who under normal circumstances are expected to come to their aid in times of crisis. Moreover, since members know each other intimately, they are able to predict who among them is likely to default. Such persons, if admitted, may be required to have a surety from someone who will guarantee their admission and will be ready to repay in case of default. Since the practice of credit union varies from one community or society to another, it is necessary to identify places in the African continent where there are documented existence of credit union practices.

Geographical Spread of Rotatory credit Union in Africa

There are records of the existence of rotatory credit unions among many African communities dating back to the 19th Century (Osondu, 1992). In Nigeria, rotatory credit unions (or associations) have been recorded among the Yoruba as *Esusu* (Bascom, 1953), among the *Igbo* as *Oha* (Ardener, 1953) or *Utu* and *Isusu* (Osondu, Ibid., 105). Jeffreys (1951) notes that among the Ibibios, the term Osusu is used to describe the same type of association. Among the Annang, the term *Etibe* describes the periodic contribution of a fixed amount of money by a group of people for various purposes (Osondu, ibid, P106).

In northern Nigeria, there are also many variations of rotatory credit unions known as *Adashi,* or simply *dashi* (Bohamman, 1962); Nadel, 1942). In parts of Cameroon, the practice has been reported to be prevalent among a variety of communities and it is known by a variety of names. For example, Kaberry (1952, 1962) describes the use of *Djnggi*, a form of rotatory credit union, among the Mbandi, Fungom, Ngie, Aghem, Zhoaw, Mashi, and Bali. Furthermore, the works of Ardener and Warrington, (1960) and Guilbot, (1956) further confirm the existence of rotatory credit union among the plantation workers in Douala and other southern parts of Cameroon. In Ghana, Sierra Leone, Togo and Dahomey, Fyfe (1962), Guilbot (1956), Banton (1957), and Little (1957) describe different forms, methods and practices of rotatory credit unions among the various ethnic communities.

In addition, in Central Africa, especially in the present day Zaire and in the Congo Republic, Beck (1961) documented the existence of rotatory credit associations among the Bakongo known as *Kitimo* and *Ikilemba*. Further east, in countries such as Malawi, Zambia, Uganda and Zimbabwe, variants of rotatory credit associations are known to exist among wage earners (Mupansha, 1962; Southall, and Gutkind 1956 and Sofer, 1951). In communities living in Southern parts of South Africa, especially among the Bantu speaking people, Kuper and Kaplan (1944) detailed the practise of *Dia Hodisana* and *Stokfel* among urban factory workers and even among workers of European origin.

In North Africa, rotatory credit unions were recorded in Egypt and Sudan known as *Sanduk* or *Khatto* (Ardener, 1964). In Egypt particularly, they are also known as *Gameya,* which existed in both rural and urban areas, and were practiced by both men and women.

AFRICA: SHOWING THE GEOGRAPHICAL SPREAD OF CREDIT UNIONS.

* SHOWS COUNTRIES WHERE THERE ARE RECORDED STUDIES OF GROUPS EXISTING. ***(OSONDU, 2003)***

Osondu (1992) surveyed the existence of rotatory credit associations in Enugu, Eastern Nigeria, and how they are used in meeting the housing needs of the urban populations, which are sometimes composed of migrants from rural areas. The study examined four variants of credit unions existing within the Enugu urban environment. The groups are representative of typical organizations that emerge in the city to meet specific needs of participants. Examples of such needs include the provision of a lump sum for short-term credit or financing for rental housing, purchasing urban land for owner-occupation, and the bulk purchase of building materials. Moreover, they are examples of how unconventional/informal schemes are used for savings mobilization, and at the same time linked to the formal banking sector.

Variants of Credit Unions in Urban Iboland (South Eastern Nigeria)

The four variants of credit union identified in the Enugu study are as follows: The first was made up of 15 members of the same ethnic origin who knew one another very well since they came from the same Local Government Area, and were members of the same town union. This group was probably a sub-division of the town union, although it was not directly identified with their town union during the survey. All members were self-employed in various trades and vocations, but with a common purpose of making regular contributions into a fund that they would use to purchase bulk building materials. This group contributed a fixed sum of two-hundred and fifty naira per participant every month and was headed by a leader, a secretary, and a treasurer. All monies collected by the group were deposited in the group's account in a savings bank by the treasurer. The leader, the secretary, and another member who does not hold any office are the signatories authorized to make withdrawals. The treasurer is not a signatory, although he/she keeps the group's bank papers/documents. This arrangement ensured that the signatories could not withdraw any money without the group's approval.

When the group accumulated enough savings, the secretary wrote to a wholesale company requesting the purchase of a specific building material for use in self-construction projects. The materials were then shared out equally among the participants. This group dissolved after the purchase of the essential building materials to enable members to proceed with the construction of their houses. By the simple definition of a rotatory credit union, this group may not qualify as one per se because the lump sum saved is not given to members in rotation, but it is locally regarded as one, though not rotatory in distribution, because it utilizes such basic principles as periodic contributions in order to achieve its specific objectives. Moreover, the common fund could be drawn upon by members who fell on hard times before building materials could be purchased, as they can apply for an interest free loan. Besides, it is not a conventional institution either in practice or principle.

The second group was made up of six professional colleagues (all civil servants) of the same ethnic origin, who made regular deposits into a common fund which the group hoped to use in building an urban house through self-building. The group is headed by a committee of two and contributed a fixed sum of two hundred naira every other month. The survey revealed that in some instances, the group had contributed less than the fixed amount in order to accommodate members who had pressing needs.

All monies collected were deposited in a joint account maintained by the group in a savings bank. As in the first group, the three signatories to the groups account were the leaders, the secretary, and one other member. The treasurer who kept the groups' banking papers/documents was not a signatory to the account. Osondu (1992) revealed that although the group aimed at constructing an urban house for owner occupation, they planned to rent out part of the house when it was completed. It was hoped that the house would yield some form of income for the group. It should be noted that groups of this nature do not dissolve easily, as the house will remain a joint property of the participants. This group's aim illustrates very well that houses in Enugu and other urban centers in Nigeria are built with both use-value and exchange value very much in the mind of the builders.

Like the first group discussed above, this group does not fit neatly or exactly into the general definition of rotatory credit union, bit since they utilize the basic principles of periodic contribution and interest free loans to members, they are a variant of credit union modified to meet specific urban needs. In addition unlike traditional rotatory credit unions *sensu stricto*, where the aim is to provide members with a lump sum of money, these two groups combine savings with meeting member's specific needs which is the real basis of affiliation.

The third group was made up of thirty employees in the same government department without a shared ethnic affiliation. This group was led by a senior officer in the department and two sub-leaders. The aim of the group was to save in order to provide large sums of money to members as credit. Within this group, there was no fixed sum, but contributions must be in multiples of twenty naira, while the maximum was one hundred naira. Collection was fixed on paydays. This contrasts with the traditional or rural pattern in which the market day (typically four in a month) is used for the collection and disbursement of *isusu* funds. Paydays were adopted to minimize cases of default, which were rare.

This group was formed to provide members with credit to pay rent advances demanded by landlords in Enugu. In order to shorten the period of rotation all monies collected were given to two members in rotation. Since contributions were not equal, members share the lump sum according to their individual contribution. The leader of the group however, determines the recipients by the order in which they indicated their interest at the beginning. There is flexibility in that members who have pressing needs may be given concessions to receive the fund by their leader or through private arrangement with the actual persons due to receive a disbursement at any given point in time. This group, through its practices, closely fits the definition of a traditional rotatory credit union. The amount saved or contributed by each member is smaller compared to the other groups discussed above. However, it is interesting to note that this group does not maintain a group joint account in a savings bank because the money collected was paid out almost immediately.

The fourth group was made up of twenty members who were all artisans such as tailors, vulcanizers, spray painters, and motor mechanics. They have an organizing committee of four people that coordinated their activities. Participants have no shared/common ethnic affiliation but come together for social and economic reasons for their mutual benefit. They meet formally on the third Sunday of each month in a public school hall during which members pay their subscriptions. The minimum amount or share per person was twenty naira. Any member wishing to have more than one share is free to do so provided it is in multiples of twenty naira. This group adopted a common day of meeting because they were all self-employed.

The group's savings were not given out but lodged in a joint savings account which is shared once in a calendar year. Members may use their share in meeting their different needs such as in housing construction. In this case, the group utilizes the traditional principles of *isusu* contribution, as well as links to the conventional/formal modern institution. However, an imprest account of a hundred naira is kept by the treasurer for the purpose of short term loans to members for a fixed period not exceeding sixty days, interest free. This loan may be used by borrowers, to meet their pressing needs like paying rent. When members default by not repaying their loan after sixty days, they are fined five naira. If, however, they do not repay the loans and their fines before the period of participation runs out, the loan plus the fine is deducted from their savings for the period. Non-payment of loans is deemed an anti-social behavior that is culturally offensive and may cause their exclusion from further participation.

Anthropologists and scholars in other related disciplines have variously defined culture and in most of these definitions, the key elements are concentrated on abstraction of learning, knowledge and its transmission. For example, Linton (1936) defined culture as the sum of total knowledge, attitudes and habitual behavior, patterns shared and transmitted by members of a society. In addition, cultural diffusion has been defined as the process of spreading and the adaptation of cultural elements from their place of origin across a wider area. This study will now examine the use and practice of *isusu* among migrants of African origin, especially among the Igbo in United States of America, to ascertain how they may have adapted this cultural phenomenon in a foreign land.

Isusu Rotatory Credit Schemes in the United States of America

A recent survey of the adaptation and use of *isusu* among Igbo migrants in the United States of America has yielded a similar and somewhat interesting result. This survey found similarities in practices and usage of informal credit associations like those existing in the African continent. Moreover, groups existing in the United States have gone a step further to use rotatory credit association funds to invest in the stock market and in real estate for the benefit of members. Just like the groups reported in Osondu, (1992), there are variations among the groups in United States of America. The groups are identified in this research by the names of the cities - Houston, Dallas, and Atlanta in which they exist. Subsequently, rotatory credit associations among Africans of the older Diaspora will be considered.

Houston

The Houston group is a direct offshoot of a hometown union. All members know each other and the hometown union serves as the parent organization. Membership of the credit union is voluntary. While membership is open to members of the hometown union, it is optional. Amounts to be contributed are not fixed. Hence members are free to contribute amounts they are comfortable with. However, there is a minimum.

All monies collected were saved and shared proportionally according to one's contribution at the end of the calendar year after which another round begins. Strictly speaking, this group is not rotatory per se but members are free to borrow from the group's funds at zero interest rate for emergencies during the circle. The advantage here is that participation instilled financial discipline in members who are encouraged to save. It also affords members the opportunity of social interaction with others belonging to the group. In addition, it strengthened the membership of the parent union. Moreover, the availability of credit at a zero percent interest rate may be an incentive to belong and a relief for members who might otherwise be compelled to use credit cards for short term financial needs.

Dallas

The group in Dallas is made up of ten members who agreed to contribute one thousand dollars every month. The amount colleted is given to a member in turn until every member has received. The order in which members receive depends on when they joined the group or a member may come to a private agreement with another member to receive before their turn. When each round ends, any member who was slack in paying his/her "share" on time or not living up to the group's standard, may not be reconsidered for membership. This group, unlike the group in Houston, is not an offshoot of a hometown union. However, all members are members of the Igbo ethnic group originally from one of the Igbo states in Nigeria.

This group has a written document that contains the byelaws of the association and every member signs it upon becoming a member. Whenever a membership slot becomes vacant, existing members recommend new members to fill the vacancy. Members may use their savings to meet their personal needs or invest in a business of their choosing. This group is solely rotatory in nature. It does not have a revolving fund like the group in Houston.

Atlanta

The Atlanta group is made up of sixteen (16) members, but in reality have twenty-four (24) shares. This means that there are some members with more than one share. Like the Dallas group, this group has a bylaw which governs their conduct and defines their membership. This group is strict on attendance and punctuality at meetings. For example, a member may only be absent three times in a year. After three absences, an absentee member is fined fifty dollars. Lateness to meetings is frowned upon and attracts a fine of five dollars. Members contribute five hundred dollars per share which is given to two members at a time.

Apart from the five hundred dollars contribution per share, members contribute an additional two hundred dollars to a common fund. Fines paid by members are put into this fund which is designated as an investment fund. Members set up this fund to raise money for investment purposes. At the time of this survey, this group had investments in the money market. They have also invested in real estate by buying houses due for foreclosure, renovating them and reselling same with profit going into the group's fund. Members that fall on bad times may borrow from this fund. However, they may not borrow more than three quarters of their equity share.

Isusu among Caribbean immigrants in the USA

Among Caribbean immigrants of African descent in the United States, especially those who settled around New York, isusu is a common economic and social practice.

They have also adopted a novel method of integrating traditional rotatory credit practice into the main stream banking industry. Hastick (1998) reported that banking institutions which hitherto regarded deposits of large sums of cash accumulated through isusu contributions with suspicion are now gradually accepting such deposits as down payments from prospective home buyers.

According to Hastick (1998), Chase Manhattan Bank for example, started accepting isusu savings as down payments, provided depositors showed letters attesting to the source of funds from those who managed the isusu groups. This change in the attitude of the formal institution was attributed to a better understanding of isusu concepts and exposure to some of the participants. In addition to Chase Manhattan's acceptance, efforts were made to get Fannie Mae, a private shareholder-owned company that makes mortgages available to low and middle income families, to accept isusu payments as legitimately acquired savings. Furthermore, Caver Federal Savings Bank, which is located in an area with a large immigrant Caribbean population is known to have incorporated the isusu concept into its general practice. This is a good development, which should be encouraged to spread to other banking institutions, both in the United States and other countries where isusu practice is prevalent.

Although Hastick(1998) adduced that one reason formal banking institutions are now accepting lump sum savings through isusu practice is to introduce the participants to the formal banking system and to safe guard savings in bank vaults rather than "under the mattress." It should be noted that what kept the participants together is more than safe guarding savings, since the system has survived contemporary banking systems. It is not just the unavailability or lack of access to formal banking institutions as Osondu (1992) noted in a survey of participants in Enugu, Nigeria, that kept them together. It is rather the socio-cultural and economic benefits which are unique to isusu practice. A situation where formal banking institutions interfere with isusu practices will not augur well for the socio-cultural qualities of isusu. Of all the groups surveyed, the one found in Atlanta seems to be most elaborate, and has the most defined goals. The Atlanta group's officials are qualified professionals in their chosen fields of endeavor. For example, its financial secretary is a Certified Public Accountant. Another is a Realtor by profession. In all the groups the officials render their services free. However, the cooperation between the Caribbean immigrant groups and formal banking institutions may point to the feature provided isusu groups retain their identity.

Criteria for Analyzing Rotatory Credit Union groups

One widely held view is that an economy is comprised of a separate sphere of instrumental or practical actions, and that economic analysis requires a unique set of conceptual tools which when suitably modified can be used to analyze patterns of livelihood everywhere (Halparin, 1986). However, Gudeman (1986) argues that economic theories are social constructions and that the central process of making a livelihood is culturally modeled. But, culture is that complex whole which includes knowledge, beliefs, art, morals, law, customs and any other capabilities and habits acquired by man as a member of society (Tylor, 1871). In addition, culture has been defined as a community of people who hold numerous features of belief, behavior, and overall way of life in common, including ideology, technology, social institutions, and material possessions (Jordan-Bychkov, 2002). Hence, culture is an autonomous and selfsufficient system of social usage; the order of patterned activity and social function that encompasses and distinguishes a society (Himes, 1967).

In discussing the criteria for analyzing rotatory credit unions, it may seem convenient to put forward a set of models or criteria which may be used in analyzing both the formal and informal finance systems. This may not serve a useful purpose because the development of different financial systems depends very much on the general socio-economic development in the society (Osondu, 1992). This is further influenced by the dominant cultural norms of the society. As, Gudeman (1986) states, if the central process of making a livelihood is culturally modeled, then using economic models derived from one culture to analyze all others will not do justice to patterns and systems existing in wholly different culture.

Hence, to be able to understand the economic principles of rotatory credit unions in Igbo land, it is important first of all to understand the cultural economics of the Igbo society, which is heavily dependent on group cooperation, trust and the desire to succeed. Secondly, the rotatory credit system is a cultural socio-economic system through which the Igbo distribute wealth and encourage each other to be successful. These may well differ greatly from Western economic models. The same criteria apply when one is looking at rotatory credit schemes in the African diaspora.

The criteria used in analyzing informal institutions in this study are not based so much on the security of savings or loans but how those funds are accumulated based on the trust the participants have in one another. Ultimately, the funds are secure due to the underlying influence of the social and positive peer group pressure by the participants in isusu. The rotatory credit scheme also helps to enforce members' financial self-discipline and encourages them to save. The popularity of a method is further dependent on the availability of participants and where they live and work. Isusu groups, for example, are found anywhere and everywhere the participants live and are willing to cooperate. In almost all cases, participants know one another and mutual trust is the key to their success.

Rotatory credit associations do not offer their members any interest on their savings and in most cases do not charge interest on monies borrowed or lent. Hence the term interest rate used in Western economic models is not used in isusu. As a result, the western concept of paying interest on money lent or borrowed is strange to isusu practice. Isusu groups do not have specifically designed offices or business premises, and therefore incur little or no administrative costs, unlike formal western institutions. Their officials or "workers" are rarely paid for their services, which are voluntary. This can be traced to Igbo cultural attitude to voluntary service and group cooperation. The rotatory credit schemes serve all participants equally, and all savers, rich or poor, have equal access to funds proportional to their savings without much hassle. Although such services are not measured in monetary terms, they are essential in meeting the basic human needs of the poorest citizens (Ekins, 1986).

Furthermore, isusu groups existing in western countries have helped their members not only to develop financial discipline, but also to break away from the credit card syndrome, which pervades the western economic system. For example, in the western economic system individuals borrow and then pay back before they can be trusted, but in isusu, trust is the backbone of the organization and members trust one another even before entering into the group. In addition, having a credit card gives people the false impression that they can buy anything they choose because they have a credit line with a financial institution. Therefore, while rotatory credit system encourages participants to save and then buy what they can afford, the western credit system could well put people in a state of perpetual indebtedness.

It should not be assumed that western economic models can simply be used to measure the success of informal institutions because as Ekin (1968) argues, the process of applying inappropriate western values in developing countries, has wiped out traditional economic activities and at times disrupted the economies of a whole region. The ease of access to loans by all savers irrespective of class, income, type and sector of employment makes informal finance institutions attractive to all participants, unlike conventional institutions that take these factors into consideration while deciding who gets a loan and who does not. This is one of the strong points of the isusu, which should not be ignored while measuring its usefulness.

One of the main results of this research is to show that informal institutions have to be understood, assessed and appreciated according to completely different criteria from formal institutions. Firstly, it should be noted that the flexibility of isusu and other variants of rotatory credit unions and small saver schemes allow participants to save in installments, without incurring the risk of debt and high interest charges that come with borrowing from formal financial institutions.

Secondly, isusu users have a sense of participation in the organization of their own finances and enjoy at least some limited degree of control over it. For example, members, subject to the cooperation of others in their group, have control over the number of shares they take and in being able to ask to have their turn for a lump sum sooner or later. They may also widen their circle of friends with the possibility social and even economic advantages. Participants know one another and mutual trust is the key to their success. In this sense, isusu is much more attuned to the cultural traditions of mutual self-help, cooperation and self-organization of Igbo and African diasporan society, and has to be understood largely on that basis. This point accords well with Gudenam's (1986) argument that economic systems and institutions should be viewed as growing out of a cultural environment rather than vice-versa. Therefore he (Gudenman) argued persuasively that it is not possible to analyze or understand economic data from one culture with models derived from another culture. In fact, it is likely to be self-defeating trying to rearrange or re-word culturally based models into those derived from western economic concepts because it is especially in the patterning of the categories in the scheme or "scripts" that cultural differences lie (Gudenman, 1986). This therefore poses a problem in any study that attempts to compare contrasting economic systems.

Conclusion

Traditional African economic systems and patterns of distributing wealth and social services have been described as "petty": unconventional and at best informal. Most of these systems and patterns have been measured using economic models and tools based on western economics. This is wrong because traditional African economic patterns, though varied, are based on the socio-economic and cultural life of the participants.

Among African traditional economic systems that survived the colonial and post-colonial era are the rotatory credit association and its many variants. The survival of rotatory credit association can be attributed to the fact that they are direct offshoots of social, economic and cultural life of the participants. In addition, some are direct and indirect arms of well organized ethnic groups and town unions which are quite powerful in various aspects of urban life in Africa, and among African migrants in western democracies. Since culture diffuses (spreads) and disperses from points and time of origin throughout and ongoing cultural system, it is not surprising that rotatory credit unions are thriving among African migrants in the United States of America.

Bibliography

Ardener, S. (1964) "The comparative study of rotating credit associations." *Journal of the Royal Anthropological Institute*, XXCIV (2) 1964, pp. 201 – 229.

________. (1953) "The social and economic significance of contribution club among a section of southern Ibo". *Conference Proceedings West African Institute of social and economic research*

Baeck, L. (1961) "An expenditure study of the Congolese Evolves of Leopoldville, Belgian Congo" in Southall, A. (ed). *Social Change in Modern Africa*.

Banton, M. (1957) *West African City: A study of tribal life in Freetown*, Oxford University Press (for the International African Institute).

Bascom, W.R. (1952) "The Esusu: A credit Institution among the Yoruba." *Journal of the Royal Anthropological Institute of Great Britain and Ireland*. Volume LXXII pp. 53-70.

Bienefeld, M. (1975) "The Informal sector and peripheral capitalism: The case of Tanzania." *IDS Bulletin*, vol. 6, No 3, pp. 4-10

Bienefeld, M and Godfrey, M. (1978) "Surplus labor and underdevelopment." *IDS Discussion Paper*. No. 138, pp. 26 – 27.

Bohannan, P. (1962) Personal Communications to P.H. II cited in Ardener, S. (1964)

Breman, J. (1976) "A dualistic labor System? A critique of the informal sector concept." *Economic and Political Weekly*, December.

Clifton, James A.(1968) *Introduction to cultural Anthropology: Essays in the Scope and methods of Sciences of man*. Boston, Houghton Mifflin Company.

De Soto, H. (1989) *The other path*. London, I.B Tauris,

Ekins, P. ed. (1986) *The Living Economy: A New economics in the Making*. London, Routledge and Kegan Paul.

Embree, J. (1964) "Suye Mura". Cited in Ardener, S. (1964).

Fik, T.J. (2000) *The Geography of Economic Development: Regional Changes, Global Challenges*. New York, McGraw, Hill. 2nd. Edition.

Fyfe, C. (1962) *A History of Sierra Leone*, New York. Oxford University Press.

Guilbot, J. (1956) Study of Labor force at Duala in *Implications of industrialization and urbanization in Africa South of the Sahara*. Cited in Ardener, S. 1964.

Harris, B. (1977) "Quasi –formal employment structures and behavior in the unorganized urban economy and the reverse: Some evidence from South India", Paper presented to a conference of the Institute of British Geographers Developing Area Study group, London.

Harris Marvin (1964) *The nature of cultural things*. New York, Random House.

Hart, K. (1973) "Informal income opportunities and urban employment in Ghana." *Journal of Modern African Studies*. Vol. II, No 1, pp. 81 – 89.

Hastick, Eda (1998) "Susus: New life for a Caribbean grassroots approach to savings." *Wadabagei: A journal of the Caribbean and its Diaspora*, 1(2), 121 – 135.

Himes, Joseph S. (1967) *The study of Sociology An Introduction*. Chicago, Scott, Foresman and Company.

ILO, (1972) *Employment Incomes and Equality: A strategy for increasing Productive Employment in Kenya*. Geneva, ILO.

Jeffreys, M.D.W (1951) "Le associazioni osusu'nel Africa occidentale", Rev. Etong, cited in Ardener, S. (1962).

Jordan-Bychkov Terry G & Jordan Bella Bychkova (2002) *The European Culture Area: A systematic Geography*.4th. Ed. Lanham, MD. The Rowman & Littlefield Publishing Group.

Joshi, H. et. al (1975). Urban development and employment in Abidjan, *International Labor Review*, Vol. 113, pp. 289 – 306.

Kaberry, P.M. (1952) *Women of the grassfields: A study of the economic position of women in Bamenda (British Cameroons).* London, HMSO.

Kaberry, P.M. (1962) "Personal Communications", Cited in Ardener, S. 1964.

Knox, P. (1982) Urban *Social Geography: An introduction.* London, Longman.

Kuper, H. and Kaplan, S. (1944) "Voluntary associations in an urban Township." *African Studies*. pp. 178 - 186

Le Brun, A and Gerry, C. (1975) "Petty producers and Capitalism." *Review of African Political Economy*. No. 3, pp. 20 – 32.

Leys, C. (1973) "Interpreting African underdevelopment: Reflections on ILO Report on employment, incomes and equality in Kenya." *African Affairs*, Vol. 72, No. 189, pp. 419-429.

Linton, Raph. (1964 Cr.1936) *The study of man. An Introduction*. Reprinted by permission of Prentice Hall, Inc. Upper Saddle River. NJ.

Little, K. (1957) "The role of voluntary associations in West African Urbanization." *American Anthropology*. pp. 579 – 596. London, Oxford University Press.

Mazumdar, D. (1957) "The urban informal sector", World Bank Staff Working Paper, No. 211. Washington, DC, World Bank.

Middleton, A. (1979) *Poverty, Production and Power: The case of petty Manufacturing in Ecuador*. D.Phil. Thesis. University of Sussex. U.K.

Morril, W.T. (1963) "Immigrants and associations: The Ibo in Twentieth Century Calabar." *Comparative Studies in Society and History*. Vol. 5, Part 4.

Moser, C.O.N. (1977) "The informal sector or petty commodity production: autonomy or dependence in urban development." Development Planning Unit Working Paper, No.3 University College, London.

Mupansha, I. (1962) "Personal Communications", Cited in Ardener, S.

Nadel, S. F. (1942) *Black Byzantium*, London, Oxford University Press.

Nwachukwu, A.N. (1983) *Ethnic Unions and Local Government Development in Eastern Nigeria*. Ph.D. Thesis, University of Sussex. U.K.

Osondu, I.N. (2002) "The role of non-profit organizations in urban housing development in Nigeria." International conference on Nonprofit organizations and sustainable communities. Tuscon, Arizona. January 31 – February 2.

__________. (1992) *Housing Finance in Urban Nigeria: A case of Enugu*. Ph.D Thesis, University of Edinburgh, Scotland, U.K.

Osondu, I.N. and Middleton, A(1994). "Informal Housing finance in Developing Countries. An Analysis." 2nd. International Symposium on housing for the poor. April 11 – 14th. Birmingham, U.K.

Ottenberg, S. (1959) "Ibo receptivity to change" in Bascom, W.R. and Heroskovits, M.J. (eds). *Community and Change in African Cultures*, Chicago, University of Chicago Press.

__________. (1955) "Improvement associations among the Afikpo Ibo", *African - Journal of the International African Institute*. Vol. XXV, No. 1.

Programa Regional de Empleo en America Latina, (PREALC) (1978) *El Sector Informal,* Santiago, PREALC.

__________. (1976) *Situation y perspectives del employ en al Ecuador,* Santiago, PREALC.

Sethruaman, S.V. (1976) "The Urban Informal Sector: Concept Measurements and policy", *International Labor Review*, Vol. 114, No. 1 pp. 69 – 81.

__________. (1975) *Urbanization and Employment in Djakarta*, Working Paper No. 6, WEP. Urbanization and Employment Research Program. Geneva, ILO.

Sofer,C and Sofer, R. (1951) *Jinja transformed*, cited in Ardener, S. (1962).

Souza, P. R. and Tokman, V. (1976) The informal Sector in Latin America, *International Labor Review*, Vol. 114, No.3, pp. 355 - 356.

Southall, A.W. and Gutkind P.C.W. (1956) *Townsmen in the making*. Mineographed edition, cited in Ardener, S. (1964).

Stutz, F.P. and De Souza, A.R. (1998) *The World Economy: Resources, Location, Trade and Development*. New Jersey, Prentice Hall, 3rd Edition.

Tokman, V.E. (1977) *An Exploration into the nature of Informal – formal Sector interrelationships* Santiago, PREALC.

Turner, J.F.C. (1992) "Foreword" in Mathey, K. (eds.) *Beyond Self-help Housing. Profile* Munich, Verlag.

__________. (1982) "Issues in Self-help and Self-managed housing" in Ward, P. *Self-help housing: A critique*. London, Mansell,.

__________. (1976) *Housing by People: Towards autonomy in Building Environments.* London, Marion Boyers.

Turner, J.F. C. and Fichter, R. (1972) *Freedom to Build: Dweller Control of the Housing Process*. New York, Macmillian.

Tylor, E.B. (1871) *Primitive Culture*. London, Murray.

Weeks, J. (1975) "Policies for expanding employment in the informal urban sector of developing countries." *International Labor Review*, No. III, pp. 1-13.