Banking in Nigeria: a Study in Colonial Financial Evolution

by

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1. *Introduction.*

The original purpose of this paper was to examine the nature of banking in British colonial territories. Such a subject, however, demands a monograph rather than an article (1). Therefore, in order to confine the discussion within practicable limits and, at the same time, to provide rather more than a general description, it has been necessary to adopt a less ambitious task. This paper is therefore concerned primarily with the banking institutions of Nigeria, to a lesser degree with Nigeria's monetary system as a whole, and only incidentally with the institutions which exist in other colonial territories.

At first sight, it might appear that in thus restricting its scope, much of the general interest of our discussion has been lost. This is not wholly the case. There are a number of features of the Nigerian situation which are to be found in other underdeveloped territories. Similarly, certain problems which are currently to be seen in Nigeria have been experienced in other colonies in the past. Nigeria therefore provides a particular example of the evolution of a colonial banking and monetary system and, at the same time, a contemporary illustration of the problems relating to financial adaptation in dependent territories possessing plural societies.

Even within its narrowed scope, our subject raises certain problems. No banking system can properly be understood in isolation from the economy of which it is a part. Its full understanding and realistic appraisal thus require a knowledge of economic, social, and even political factors. Detailed consideration of these is impossible. The more important features will emerge as the discussion proceeds. Throughout the paper, however, some allowance needs to be made for those economic and social forces which, for reasons of space, are denied full consideration.

2. *The West African Currency System.*

In contemporary conditions in Nigeria it is plausible to adopt the conventional course and define « money » as consisting in « demand deposits with the commercial banks plus legal tender notes and coin ». The total stock of these assets in the hands of the public is thus, at any moment of time, the quantity of money in the territory.

Somewhat naturally, in view of the relative backwardness of the territory, the ratio of the former to the latter component is low. The composition of the money supply in recent years is given in Table I.

The ratio of bank money to currency though small compared to that prevailing in (say) the United Kingdom, is not unduly low when full allowance is made for the low level of per capita real income (2), the extreme dependence of the economy on peasant agriculture (3), and the comparatively recent emergence of a monetary economy. The relative importance of bank money is probably, in the light of these adverse factors, to be ascribed to the dominant position occupied by expatriate (and mainly British) enterprises in most fields of activity. Nevertheless, it is plain that currency remains the more important component in the money supply and that the banking system is, as yet, comparatively little developed (4).

(1) The literature on colonial monetary and banking systems remains small. Reference may be made, however, to:
Monetary Systems of the Colonies, published by « The Banker » in 1950;
The Imperial Banks, by A.J.S. Baster.
The British Colonial Currency System, by G.L.M. Clausen, in « Economic Journal », April, 1944;
Ceylon Currency and Banking, by B.R. Shenoy.

(2) The only available estimate suggests that average per capita income in 1948 was approximately £ 10 per annum at 1948 prices.

(3) Nigeria's main export crops are produced by African peasant farmers. Plantation agriculture of the Eastern pattern is virtually non-existent. See *Colonial Agricultural Production*, by Sir Alan Pim, pp. 133-145.

Table I

COMPOSITION AND TOTAL OF NIGERIAN MONEY SUPPLY

(as at 30th June of each year 1944-1950)

Year	Currency issued by Currency Officer	Currency with Banks	Currency with Public	Demand Deposits	Total Money Supply	% Ratio of col. 5 to col. 4.
1	2	3	4	5	4 + 5 = 6	5 : 4 = 7
	£ millions					
1944	13.56	0.98	12.58	6.34	18.92	50.3
1945	15.60	1.07	14.53	7.74	22.27	53.4
1946	18.14	1.31	16.83	8.88	25.71	52.9
1947	23.40	2.11	21.29	8.91	30.20	42.0
1948	24.56	2.76	21.80	10.55	32.35	48.5
1949	31.52	4.18	27.34	12.30	39.64	45.4
1950	31.58	2.74	28.84	10.95	39.79	38.1

Sources: Column (2) Nigerian Currency Officer.
Column (3) Statistics Department, Nigerian Government.
Column (4) Do. do. do.

West African currency (which is common to the Gold Coast, Sierra Leone, and the Gambia as well as to Nigeria) is issued by the West African Currency Board, a body specially set up for the purposes of currency issue and management in 1912.

The creation of this Board was the result of a Report (5) issued by a Departmental Committee of Inquiry, presided over by Lord Emmott, which was appointed by the Secretary of State for the Colonies in 1911. The immediate causes of the Inquiry were two: in the first place, imports into West Africa of British token silver, which was the dominant (but not the only) form of currency, had risen sharply in 1909 and 1910 and persisted at a high level in 1911 (6), circumstances which reawakened the earlier interest of the Colonial Office and the Colonial Governments in devising a system which would enable the colonies to obtain a share in the seignorage profit arising out of the issue of token coin (7); in the second place, the Imperial Treasury had come to dislike and mistrust the use of British token coin which it believed might well, in the event of a crop failure on the West Coast, be repatriated to the United Kingdom in large quantities, thus producing inconvenience at home and, in rather improbable circumstances, going to a discount vis à vis gold (8). There was little desire for any fundamental change in the system on the part of the mercantile community which, through a number of witnesses, expressed itself as satisfied with the use of British coin (9). The traders did, however, feel the need for a note issue to facilitate remittances on the Coast (10).

The Committee sat in London and, after hearing evidence from traders, bankers, Colonial officials, and representatives of the Imperial Treasury and Royal Mint, reported that (11):

(a) the existing system was unsound,

(b) a separate West African currency was desirable,

(c) such a currency should be instituted and a Board, under the control of the Secretary of State, set up to manage it.

The Report was accepted and, as we have related, in 1912 the West African Currency Board was appointed.

(4) Keynes, in the « Treatise on Money », chapter VIII Section 2, distinguishes four stages of monetary evolution. Nigeria is in the second stage, where, « Bank deposits are partly used as a means of holding cash but are generally turned into notes when it comes to making a payment ». There is, however, particularly in the larger towns, some progress towards the third stage in which « business transactions are mainly done by cheque, the use of notes being limited to wage payments and petty cash ». *Ibid.*, p. 40.

(5) The Report was published as Cd. 6426 of 1912. The evidence as Cd. 6427 of 1912.

(6) Imports of British Sterling Silver into West Africa.

Year	*Value (£)*
1909	669,600
1910	1,259,450
1911	874,850

Source: Cd. 6426 of 1912, Appendix III.

(7) Cd. 6427. Evidence of Sir George Fiddes.

(8) *Ibid.*, Evidence of S. Armitage Smith.

(9) Cd. 6426, para 22.

(10) *Ibid.*, para. 38.

(11) *Ibid.*, para. 65.

3. *The Significance of the Board.*

The sense in which the Board manages the West African currency supply is very restricted. Essentially it is a passive conversion device, the object of which is to secure the convertibility of West African currency into sterling at a fixed rate of exchange. This object is secured by the following regulation (12).

« 9. The Board shall issue at its main centres in Accra, Bathurst, Freetown, and Lagos in the constituent territories to any person who makes demand in that behalf coin or currency notes equivalent to the value (at the rate of twenty shillings West African currency to one pound sterling) of sums in sterling lodged with the Board in London.

The Board shall pay to any person who makes demand in that behalf sterling in London equivalent to the value (calculated as aforesaid) of coin or currency notes lodged with the Board at its aforesaid centres in the constituent territories » (13).

From this regulation it follows that any holder of sterling can always obtain West African currency at par. Moreover, any holder of West African currency can, provided the Board's sterling resources are adequate, obtain sterling at par for his currency. Since the Board, in practice, maintains a reserve of sterling assets in excess of its total currency liabilities, two way convertibility is assured. Table II shows the Board's reserve position for each year since 1926.

It is apparent from the regulation quoted that the Board is not a monetary authority in any customary sense of the phrase. It has no control over the volume of currency it supplies. Since it does not lend to the four colonial governments it represents, there is no fiduciary element in the currency supply (14). This situation plainly precludes an independent monetary policy on the part of the colonial governments in West Africa.

(12) « Secretary of State's Regulations Defining the Constitution, Duties and Powers of the West African Currency Board », dated 2nd Sept., 1949, published as Appendix V of the « Report of the West African Currency Board for 1949 ». The Board is empowered to levy a commission for such services not exceeding ¾% and fix a minimum limit for the value of such transactions. In practice the Board deals almost exclusively with the two British banks.

(13) The constituent territories are: Nigeria, the Gold Coast, Gambia and Sierra Leone.

(14) The Board does not, as a rule, hold the securities of the governments it represents. On occasion, it has done so. The amounts, however, have been small and the securities have been obtained on the London market. On this point cf. also G.L.M. Clausen, *op. cit.*

Table II

CURRENCY LIABILITIES AND RESERVES OF WEST AFRICAN CURRENCY BOARD

(1926-1950)

Year.	Currency Liability. (a)	Reserves (b)	Col. 2 as % of Col. 1	Year.	Currency Liability. (a)	Reserves (b)	Col. 2 as % of Col. 1
	1	2	3		1	2	3
	£m'n.	£m'n	%		£m'n	£m'n	%
1926	12.81	12.84	100.4	1939	11.70	12.74	110.1
1927	14.74	14.82	100.6	1940	12.65	14.33	113.3
1928	15.23	15.88	104.4	1941	13.48	15.93	117.3
1929	14.86	15.52	104.7	1942	17.75	20.50	116.4
1930	13.66	14.15	103.6	1943	23.95	26.95	113.8
1931	9.46	10.10	106.7	1944	26.15	29.49	114.1
1932	9.07	10.20	112.4	1945	29.43	33.38	114.3
1933	9.57	10.94	118.4	1946	33.38	38.36	116.0
1934	8.13	9.61	118.4	1947	41.38	46.23	113.0
1935	9.95	11.96	126.1	1948	47.33	52.29	111.7
1936	12.54	14.21	113.3	1949	67.31	72.20	107.6
1937	19.27	20.11	104.3	1950	65.64	71.73	109.4
1938	18.06	19.79	110.4				

(a) Col. 1. Currency in circulation as at June 30th in each year, less market value of silver in West African Silver Coin.

(b) Col. 2. Total Assets as shown in Balance Sheet.

Source: West African Currency Board Annual Reports.

The effect of these arrangements to secure convertibility is, of course, to provide West Africa with a local token currency which bears a fixed relation to the pound sterling. The Board is thus a simple device for operating the sterling exchange standard and the West African pound is merely the pound sterling by another name.

Beyond ensuring certain convertibility at an invariant rate of exchange, the Board's functions are limited to:

(a) investing the currency reserve,

(b) arranging for the manufacture of coin and notes, the withdrawal of « old » currency, and the maintenance of stocks at currency centres in West Africa,

(c) allocating and disbursing the income from the reserves to the four West African colonies involved,

(d) maintaining the internal convertibility of notes into coin (15).

(15) The Board has not been particularly successful in this field. Cf. below, Section 9.

We have already seen that the Board is not a monetary authority and has no control over the volume of currency in circulation. This means that we must look elsewhere for the forces determining the money supply. The absence of a fiduciary element means that the colonial governments have no control. This leaves only the commercial banks who, within the limits imposed by their reserve position, can follow a more or less liberal credit policy and thus provide an autonomous influence on the money supply in any colony.

While it is an obvious error to assign the Board any fundamental importance as a monetary authority, the functions it does perform should not be overlooked. Among the more important, the Board:

(a) provides a stable rate of exchange vis à vis sterling and hence, through sterling, with other important trading currencies; a service which must be of great importance to any territory largely dependent for development on external capital and expatriate enterprise;

(b) enables the West African colonies to hold oversea reserves in a form in which they earn income;

(c) provides a distinct body charged with the smooth operation and development of the West African currency system.

In sum, the Board is a device which, in virtue of its administrative cheapness, offers at once a simple and inexpensive method of operating the (sterling) exchange standard which, as Keynes remarked, « For countries which are small compared with their neighbours, and do not contain international financial centres of great importance, ... may be ideal » (16).

4. *The Origin and Structure of British Banking in Nigeria.*

Banking in Nigeria was hardly a technical possibility until barter had, in some degree, given way to trading conducted by coin (17).

(16) Keynes, *op. cit.*

(17) All trade in Lagos was conducted in coin by the late 1890's. See despatch of Sir Henry McCallum to the Secretary of State, dated 4th August, 1897.

This situation was developing by the last decade of the nineteenth century. Hence in 1891, the African Banking Corporation began business in Lagos (18).

This early venture was closely connected with shipping interests. It obtained a monopoly of Government business and was accorded the sole right to import coin from the Mint. Despite this it found conditions difficult and remained in operation only until 1892. In that year, its business appears to have been taken over by Elder Dempster's, the shipping firm. In 1894, in response to Government representations that the conduct of official business required the separation of the bank from Elder Dempster's and the formation of a properly constituted joint stock company, Sir Alfred Jones, the chairman of the former concern (19), formed the Bank of British West Africa, which began life with a nominal capital of £ 100,000 and a paid up capital of only £ 12,000.

Initially the bank seems to have depended upon its monopoly of Government business and the commission earned on the importation of coin. Later, however, as the use of coin spread and trade developed, both processes being in some measure due to the bank's effective management of the currency supply, it began to earn income through the extension of trading credit, particularly to the small traders (20). The success of the bank in currency management may be inferred from Table III, which shows the increase in silver imports which followed its appearance in 1894.

In 1899, by which time the Bank of British West Africa was well established, the Bank of Nigeria was formed. This concern, like its predecessor, was also a British enterprise. It was started largely with the object of combating the monopoly of the former bank which (it was alleged), was abused in order to force

(18) British traders, believing their interests to be bound up with the maintenance of barter « opposed the introduction of banking tooth and nail ».

Sir William Geary, *Nigeria under British Rule*, p. 62.

(19) *Sir Alfred Lewis Jones, K.C.M.G.*, by A.H. Milne, pp. 41-42.

(20) A. MacPhee, *The Economic Revolution in West Africa*, and A.H. Milne, *op. cit.*

traders to ship goods through Elder Dempster's or one of their associated lines (21). In 1912, it was absorbed by the older concern, which maintained its monopoly position until 1917, when the Colonial Bank opened branches in Lagos, Jos, Kano, and Port Harcourt.

TABLE III

BRITISH STERLING SILVER ISSUED TO WEST AFRICA FOR EACH YEAR 1894-1911

Year	£
1894	77,990
1895	235,450
1896	108,815
1897	63.200
1898	334,340
1899	418,875
1900	360,220
1901	154,730
1902	398,750
1903	253,625
1904	363,025
1905	143,800
1906	506,600
1907	700,400
1908	194.900
1909	669,600
1910	1,259,450
1911	874,850

Source: Appendix III of Report of Departmental Committee appointed to inquire into Matters affecting the Currency of the British West African Colonies and Protectorates. Cd. 6426 of 1912.

The post war period was one of amalgamations among British banks. This process affected not only joint stock banks in the United Kingdom but British banks operating in the Colonies and Dominions. Neither the Bank of British West Africa nor the Colonial Bank was left untouched.

In 1919, Lloyds Bank, one of the largest of the « big five », acquired a substantial shareholding in the Bank of British West Africa, and an exchange of directors took place between the two institutions (22). In 1920, a fresh issue of the bank's shares was made, 100,000 being divided between the Westminster Bank, the National Provincial Bank, and the Standard Bank of South Africa (23). This left the Bank of British West Africa closely integrated with three of the five largest British clearing banks and with an important Dominion institution. This process of integration has now been carried a stage further by means of interlocking directorships through which the Bank of British West Africa has further connections with the Midland Bank, Coutts and Co., and the Yorkshire Penny Bank.

The Colonial Bank was similarly affected. In 1926, it was amalgamated with the Anglo-Egyptian Bank and the National Bank of South Africa to form a new concern, Barclays Bank (Dominion, Colonial and Overseas). This bank is, of course, closely associated with Barclays Bank itself. It has further relationships, by means of interlocking directorates, with Barclays Bank (Canada), Barclays Bank (Foreign), the Eastern Bank, the Bank of Australasia, the British Linen Bank, the Union Discount Co., and the E.D. Sassoon Banking Co.

The amalgamations which followed on the end of World War I then left both banks operating in Nigeria part of the closely knit Commonwealth banking structure with its centre in London. They themselves maintained both head offices and boards of directors in the City and their post war structure, which emerged from the amalgamation movement, strengthened their ties with British joint stock banking and the London money market.

It is not a simple matter to give a precise or dogmatic statement of the consequences, in terms of banking behaviour, which flow from the close London associations of Nigeria's two main banks. It seems, however, reasonable to infer that the latter must have facilitated trade both between Nigeria and the United Kingdom and Nigeria and the Commonwealth. The connections with the « big five » not only provided fresh capital, they also gave the banks additional financial strength. It is, for example, difficult to imagine that Lloyds would fail to assist the Bank of British West Africa if the latter bank's resources proved insufficient for the finance of its West African business. The increased integration with United Kingdom banking may also have strengthened the banks' willingness to invest funds outside the colonial

(21) A.J.S. BASTER, *The Imperial Banks*, chapter VI.
(22) *Ibid.*, chapter VI.
(23) *Ibid.*, chapter VI.

areas (24) while, at the same time, producing a somewhat imperialist attitude to the colonial territories. These suggestions, however, must remain tentative since they are hardly capable of statistical verification.

In the case of Barclays (D.C. & O.), amalgamation provided certain additional gains. Operating as it does in many areas with differing seasonal demands for funds, the head office of the bank is able to effect economies through the inter regional transfers of resources (25) and, at the same time, obtain a wide spread of risks. Further gains may come from economies in the fields of management and administration, though these are less certain.

The broad features of the structure of the British banks operating in Nigeria are clear. They can be summarised as follows:

(a) Both banks are owned in Britain and maintain head offices and boards of directors in London;

(b) both are intimately connected with the largest British clearing banks;

(c) both are part of the closely integrated Commonwealth banking structure;

(d) one (Barclays) operates in a number of regions and its Nigerian (and West African) business is a small part of its total.

We shall need to remember these features when, in the following sections, we come to consider the Nigerian business of the banks.

5. *British Banking in Nigeria.*

There are at present groups of banks operating in Nigeria; the expatriate and the indigenous. For all practical purposes the former group, which controls perhaps 90% of Nigerian bank deposits, consists in the two British banks discussed in the previous section, which maintain 23 branches in 17 towns in the territory (26).

Nigeria is, of course, both a politically and economically dependent territory. In the absence of any reliable statistics regarding the national income it is impossible to do more than estimate the importance of exports in the total. It is probable, however, that they amount to at least 25% (27). Export economies, particularly those dependent on the export of primary products, are notoriously susceptible to externally generated fluctuations in income (28). Moreover, they differ from developed economies in that booms, caused by increased export values, are associated with increasing liquidity. Since, as we have already seen, the commercial banks are the effective managers of the territory's money supply, the

(24) Cf. the following quotation referring to banks in the Dominions:

« A further factor militating against the development of local capital markets has been the ability of financial institutions, and not least the banks, to rely upon London (or in the case of Canadian institutions, New York) as a repository of second line reserves...

The tendency to concentrate dealings in marketable securities in London has no doubt been accentuated by the fact that several of the more important banks operating in the Dominions have been largely owned and directed in London. These banks are intertwined and, through their directorates, interlocked with a large and powerful section of London finance. It is almost inevitable that the directorates should have taken an imperialist attitude towards the erstwhile colonies, indeed it is clear that some of the leaders still do so; and such an attitude could hardly be conducive to the financial autonomy of the Dominions or to the independent development of their capital markets ».

A.F.W. PLUMPTRE, *Central Banking in the British Dominions*, p. 10.

(25) In 1926, on the occasion of the amalgamation, the following statement was made « ... through the co-ordination of our resources to meet the seasonal requirement of the various localities in which we carry on business, we shall be in a position to utilise our funds in the most practical and useful manner ». Quoted in *A Banking Centenary*, privately published by Barclays (D.C. & O.).

(26) Excludes Victoria in the Cameroons.

(27) The only available estimate suggests a figure slightly higher than this. It cannot, however, be treated with much confidence. Dr. A.J. Brown suggests that exports were a third of average national income from 1929-1937 (income valued at Nigerian prices). « *Mining, Commerce and Finance in Nigeria* », p. 234.

(28) No precise estimate of the extent of those fluctuations in the past can be given. The use of a series of currency issued and import values as substitute criteria suggests, however, that they were large.

Year (1)	Currency Issued (Lst. '000,000) (2)	Imports (Lst. '000,000) (3) (a)
1929	6.89	23.22
1930	6.28	12.62
1931	4.37	6.51
1932	3.93	7.19
1933	3.89	6.34
1934	3.18	5.36
1935	3.84	7.80
1936	5.08	10.83
1937	7.99	14.62

(a) Excludes imports of currency.

Source: Column (2) Nigerian Currency Officer's Ledgers: Figures extracted by the writer. Column (3) Nigerian Trade Reports - 1921 and 1939.

first point of interest in the behaviour of the British banks is whether or not they add a banking element to externally generated income oscillations (29).

The capacity of the banks to expand credit in Nigeria in response to any given increase in reserves depends upon the monetary habits of the public and their propensities to save, import, and invest. This can easily be seen by assuming that any increase in advances leads to an increase in domestic investment activity. This, in turn will generate a rise in domestic incomes, an induced increase in imports leading to a loss of banking reserves overseas, and a drain of cash from the bank to the public. For any given change in reserves, the amount by which the banks can increase credit will be greater (smaller) the smaller (greater) is the marginal propensity to import and the smaller (greater) is the community's desire to hold money balances in the form of currency rather than deposits (30). In Nigeria, both these factors are unfavourable. The marginal propensity to import is likely to be large (31) while currency forms the greater part of the money supply of the community. As a consequence the banks' capacity to expand credit is not likely to be very great.

Plainly, however, this last statement depends upon the magnitude of the change in reserves. This may, in a boom such as that of 1936-1937, be severe. Of more importance, however, than the banks' capacity to expand credit in response to a given change in reserves is their willingness to do so.

As we shall see later, Nigeria offers the banks a comparatively restricted field for lending. Thus, short of extending credit to borrowers hitherto regarded as too risky, the banks are likely to be unable to expand their advances. Moreover, there is considerable evidence which suggests that expatriate banks operating in underdeveloped territories possessing plural societies, and maintaining head offices in financial centres abroad, are likely to acquiesce in rising liquidity in booms, and, to some extent, in falling liquidity in recessions without indulging in credit creation or contraction in any large degree (32). It is thus not unreasonable to expect the British banks in Nigeria, far from adding to-delete an endogenous banking element to externally generated income fluctuations, to minimise them by passively absorbing and releasing oversea assets. If this expectation is justified, we shall find that the volume of money in Nigeria is determined by the balance of payments and that the behaviour of the banks tends towards that of the West African Currency Board (33).

There are few banking statistics which enable us to check this view. The figures available, which cover only the years 1943 to 1950 do, however, suggest that changes in the money supply have been due almost entirely to changes in the balance of payments and that, in general, the banks' influence has been small (*See Table IV*).

This table needs not detain us long. The final column shows that the increases in the oversea assets of the Board and the banks in all years accounted for the greater part of the increase in aggregate bank deposits and currency in the hands of the public. Of the total increase in the money supply in the period (£ 21.4 millions), the growth in bank advances (£ 1.9 millions) accounted for less than 9%, while in 1943-4, 1944-5 and 1945-6, the increase in bank advances was less than the increase in savings and time deposits, implying that the banks in those years sterilised resources (33). The table thus emphasises both the degree to which the money supply is determined by the balance of payments and the comparatively small influence of the banks. The banks, however, were by no means entirely passive. The net increase in bank advances was approximately 12.8% of the total change in deposits, but this is partly to be accounted for by the fact that, in 1943, the average ratio of Nigerian advances to Nigerian deposits was only 5%, a figure which must

(29) The possible existence of a banking « accelerator » in dependent territories is discussed by C.G. F. Simkin, *The Instability of a Dependent Economy*, pp. 8-9.

(30) This assumes the remaining marginal propensities to be given.

(31) This is an inference from the composition and behaviour of imports. No statistical evidence exists beyond the rapid response of import values to changes in exports.

(32) Cf. Simkin, *op. cit.*, pp. 6-7.

(33) In the limiting case, that is, if the banks were wholly passive, the quantity of money would be determined by the balance of payments.

be regarded as unusually low and offering strong incentives for expansion (34). By the end of the third quarter in 1950, this ratio had recovered to 13.2%. In view of the earlier position this expansion must be regarded as moderate and the banks' attitude in approximate conformity with our earlier arguments,

ORIGIN OF CHANGES IN NIGERIAN MONEY SUPPLY
(September 30th, 1943 - September 30th, 1950)

Table IV

Year	Changes in Money Supply			Changes in Non-Monetary Bank Deposits	Changes in Principal Bank Assets			Change in Sterling Assets held by Board	Change in money supply due to change in Advances	Change in Col. 3 due to change in Col. 6 + Col. 8
	Currency with Public	Demand Deposits	Total Money Supply		Cash	Net Overseas Assets	Loans and Advances			
	£'000's (1)	£'000's (2)	£'000's (3)	£'000's (4)	£'000's (5)	£'000's (6)	£'000's (7)	£'000's (8)	% age (9)	% age (10)
1943–44	— 972	+ 1359	+ 387	+ 301	+ 85	+ 1439	+ 31	— 887	8.4	80.2
1944–45	+ 1883	+ 1385	+ 3268	+ 420	+ 528	+ 1334	+ 120	+ 2411	7.0	104.4
1945–46	+ 2674	+ 538	+ 3212	+ 215	— 224	+ 883	+ 144	+ 2450	4.3	97.2
1946–47	+ 2978	+ 471	+ 3449	+ 244	+ 1963	— 1904	+ 481	+ 4941	7.2	85.6
1947–48	+ 1613	+ 959	+ 2572	— 122	— 433	+ 1402	+ 190	+ 1180	7.4	104.9
1948–49	+ 3720	+ 2108	+ 5828	+ 130	+ 3417	— 2478	+ 603	+ 7137	10.3	77.7
1949–50	+ 2983	— 301	+ 2682	— 101	— 3075	+ 2453	+ 346	— 92	12.9	91.7
Total change 1943–1950	+ 14879	+ 6519	+ 21398	+ 1087	+ 2261	+ 3129	+ 1915	+ 17140		

Sources: Col. 1. Currency issued (from Nigerian Currency Officer) less currency held by the Banks. (Quarterly Banking Series. Dept. of Statistics).
Col. 2. Quarterly Banking Series. Dept. of Statistics, Lagos.
Cols. 4-7. Do. do.
Col. 8. Column 1 plus Column 5.
Col. 9. Column 7 as % of Column 3.
Col. 10. Column 6 plus Column 8 as % of Column 3.

Note: Cols. 5 plus 6 plus 7 do not add to Cols. 2 plus 4 since certain assets and liabilities have been excluded.

which suggested that they would tend to be passive in the face of an increase in reserves. This in turn suggests that the banks are passive in the cycle and that, though bank policy, together with the balance of payments, determines the quantity of money in Nigeria, it is the latter variable which is, in practice, the more important.

The commercial banks in Nigeria perform three functions:

(a) they determine, within limits, the quantity of money in the economy;

(b) they act as intermediaries in the mobilisation and investment of domestic savings;

(c) they provide a number of ancillary financial services.

Our discussion above suggests that the quantitative influence of the banks on the money supply is not very important and that, in the cycle, they will tend to stabilise rather than add an endogenous element to oscillations in income.

6. *The British Banks as Intermediaries.*

Table V shows the principal liabilities and assets of the British banks as at 30th June in each year from 1948 to 1950.

The capacity of commercial banks to mobilise savings depends upon their accessibility and the inducements they can offer to savers to hold savings in the form of deposits. The accessibility of a banking system depends upon the number of branches it maintains and its

(34) For the whole period the increase in « non monetary deposits » (*i. e.* those held other than on demand) was £ 1,087,000, against the increase in advances of £ 1,915,000. The net injection by the banks was therefore £ 828,000, a small sum compared with an increase in deposits of £ 7,606,000, the increase in the total money supply of £ 21.4 millions, and the injections provided by the increased values of exports. Thus the net increase in domestic money supply by the banks was less than 13% of the change in deposits and less than 4% of the total change in the money supply.

BRITISH BANKS IN NIGERIA TABLE V
(Aggregate Position of certain Liabilities and Assets as at 30th June in each year 1948-1950)

Year.	Liabilities (Aggregate Deposits)	Assets		
		Cash	Overseas Assets	Loans & Advances
	(1) £. 000s	(2) £. 000s	(3) £. 000s	(4) £. 000s
1948	13,661	2,716	10,290	805
1949	15,357	4,089	9,531	1,318
1950	14,949	2,688	9,159	1,726

Sources: Columns 1, 2 and 4 obtained by subtracting annual figures for National Bank of Nigeria from aggregate figures for all banks.

Column 3 obtained by subtracting « balances due to banks abroad » from « balances due from banks abroad including Head Office, and sterling bills discounted ».

willingness to accept the type of deposits the public wishes to make. Average per capita real incomes are low in Nigeria. Many Africans wish to operate accounts (nominally savings accounts) on which the average balance is small and the number of transactions high. Such accounts are only worth while if the yield obtainable on marginal increments in the asset portfolio is sufficiently high to offset the increase in administrative and interest costs resulting from such accounts. Table V above does not suggest high yields on marginal increments to total assets, the bulk of which consist in cash (the yield on which is zero) or sterling assets (the yield on which tends to be low). It is thus hardly profitable for the British banks to accept this type of deposit (35). Moreover, it is not profitable for the banks to offer attractive interest rates even for genuine savings deposits since they find difficulty in making use of the funds available outside the London market in which rates, in comparison with the chronic shortage of capital prevailing in Nigeria, tend to be low (36). It is easy to see how these conditions militate against the effective mobilisation of domestic savings by the British banks both by diminishing accessibility and by reducing the banks' capacity to offer rates of interest related to Nigerian conditions.

As lenders, the banks are engaged only to a relatively small extent in financing local enterprises. The bulk of their funds invested are through London (37). There are no statistics which enable us to analyse the distribution of credit. Since the seasonal movement of advances is comparatively large, it is, however, obvious that the main demand for advances comes from firms engaged in the collection and marketing of Nigeria's export crops. This indeed is the banks' principal business (38).

The smallness of the advances portfolio reflects the lack of local borrowers acceptable to the banks. In general, the banks are chary of extending credit to Africans and provide finance mainly for expatriate enterprises. There are a number of reasons for this. Africans do not, as a group, enjoy a high reputation for commercial integrity. Their businesses are usually small, lacking in fixed capital assets, run on a family basis, and maintaining only very scanty and imperfect accounts. Africans, moreover, experience difficulty in meeting the

(35) It seems possible that the British banks in Nigeria, like those in certain territories in the Far East, actually discourage the deposit of funds even in comparatively large amounts. Cf. « Report on the Mobilisation of Domestic Capital through Financial Institutions of the ECAFE Region ». U.N./E./C.N./I&T/40, pp. 150-151.

(36) In fact they offer ½% and 1% rates which are plainly determined by the yield on short money in London, and which are wholly unrelated to African conditions. Some idea of the shortage of capital in Nigeria is given by the fact that the rate on mortgages is 12½%.

(37) Cf. the following regarding Burma:

« Thus Burma, an underdeveloped country with low income, habits of hoarding and consequently very few funds available for capital formation, found that those few funds collected in the country (by the banks), which might have been used for economic development, were partly diverted abroad, mostly to India ».

Report on « Mobilisation of Domestic Capital through Financial Institutions in the E.C.A.F.E. Region », U.N./E./C.N./11/I&T/40, pp. 150-151.

(38) Such advances are mainly to expatriate business. Cf. the following quotation from « A Banking Centenary »:

« ... banking facilities do not arise until the produce has been reaped and put into store by which time it is under the control of European houses and firms, which frequently take advances from the bank against it ».

The passage refers to West Africa.

The provision of seasonal finance naturally involves the banks in providing a corresponding seasonal elasticity in the money supply. They are, in most circumstances, able to do this relatively cheaply because of their close connections with the London money market in which funds can safely be invested between seasons. Low bill rates in London coupled with the transfer charges imposed by the Currency Board tend to diminish this connection and hence lower the advantage offered by the London market. This increases the cost of the flexibility provided by the banks. Their services in this field remain, however, of considerable importance.

banks' security requirements. Their only security consists, in many cases, in land and house property. British bankers are traditionally opposed to mortgage lending and loans against property mortgages in Nigeria are rendered even less attractive than usual by complications regarding the establishment of title. An additional difficulty is introduced by the fact that the British executives of the banks mix socially only to a limited extent with their African customers. Hence they are not always very fully informed regarding the standing of individual applicants for credit. These reasons have so far sufficed to keep advances to Africans small and hence restrict the advances portfolio as a whole.

Two conclusions can be drawn from this brief outline. First, the British banks are not effective either in the task of mobilising domestic savings or in lending those savings locally. Second, they derive a comparatively small part of their income from the finance of local enterprise.

7. *The Provision of other Banking Services.*

The British banks originally came to Nigeria to provide banking services for Government and the British enterprises already established there. Those enterprises were mainly engaged in the export and import trade of the territory (39). A large part of the banks' income is still obtained from services connected with external trade, particularly the remittance of funds to and from London. With the expansion of their branch systems, the banks became able to earn an additional income from the remittance of funds internally.

Nigeria's external trade is conducted in sterling. Since the banks are primarily interested in it, they are under the necessity of maintaining considerable working balances in London in the form of liquid short term assets. The asset distribution shown in Table V therefore reflects this need for working balances as well as the shortage of « acceptable » local borrowers in Nigeria.

(39) This remains true despite the hostility with which they were met by certain traders. Cf. note 18 above.

The British banks provide the communities they serve with most forms of banking services. The charges made for these are, in the absolute sense, high. Remittances between branches in Nigeria, for example, may cost as much as ¾%, a circumstance which leads to the offsetting of transactions by trading firms and the movement of currency by lorry and even aicraft. The magnitude of these charges is, in part, due to the fact that the banks, taken together, have only restricted opportunities for earning income through the extension of trading credit (40), in part to the fact that the banks appear to act as collaborators rather than competitors (41), and in part to the costs associated with the movement of currency between branches (42).

It is obvious that, since their branches in Nigeria are few and cover only towns, the British banks provide remittance facilities only between the largest trading centres. In general, it can be said that the supply of financial services by the British banks is restricted to those towns which are important from the point of view of expatriate enterprise or Government. In this field also, the behaviour of the British banks in Nigeria is similar to that of the « exchange banks » in the East (43).

8. *The British Banks - Summary.*

The discussion in the three preceeding sections has suggested that the principal characteristics of the British banks in Nigeria are that:

(a) they perform functions broadly similar to those of the « exchange banks » in the East;

(40) The recent *Report on Banking Conditions in the Gold Coast* states in this connection: « The banks justified these high rates on the grounds that the costs of keeping their branches in funds, of which a large proportion is in the form of coin, is very high — involving lorry hire, pay of guards, insurance premiums, and handling charges, of which the cost of coin bags is an important factor. It was also pointed out that the scope for making profits in the country is very limited and that exchange charges or remittances provide one of the few sources of profit which enable the banks to operate the branches without incurring an actual loss » (para. 123).

(41) This view is widely held, and not only by Africans.

(42) See note 38 above.

(43) For a description of « Exchange Banking », consult the Report of the Ceylon Banking Commission, Sessional Paper XXII of 1934.

(b) they are mainly concerned with the financial needs of Government and expatriate enterprise;

(c) they are ill adapted to the mobilisation of African savings and the extension of the use of banks by Africans;

(d) they follow a conservative advances policy which limits their use in the development of African enterprise;

(e) their credit policy in the cycle is not likely to add an endogenous element to exogenously generated fluctuations;

(f) the bulk of their resources are invested through London;

(g) a considerable part of their income is derived from the provision of internal and external remittance facilities for which charges are high;

(h) their main role as lenders consists in the finance of expatriate enterprise engaged in the collection of export crops and the wholesale import trade.

9. *The Pre-War Monetary and Banking System*

In the formative years of British banking in Nigeria and of the West African currency system, colonial territories were looked upon less as embryonic nations which it was desirable, in time, to raise to a state of relative political and economic independence, and more as areas in which British enterprise found it convenient to grow crops and mine minerals which, for climatic or geological reasons, could not be grown or mined in Britain. The following quotation expresses this point of view (44).

« There is a class of trading and exporting communities on which a few words of explanation seem to be required. These are hardly to be looked upon as countries, carrying on an exchange of commodities with other countries, but more properly as outlying agricultural or manufacturing establishments belonging to a larger community. Our West India colonies for example cannot be regarded as countries with a productive capital of their own... the West Indies, are the place where England finds it convenient to carry on the production of sugar, coffee, and a few other tropical commodities ».

There can be little doubt that in the case of Nigeria, at least until the inter war years, this description was broadly accurate. The economy therefore needed a monetary system which facilitated external trade and the import and export of British capital. The original method of using British token coin was, of course, admirably adapted to these purposes. The arrival of the Bank of British West Africa in 1894 reflected the emerging need of Government and British traders for more efficient currency management and an institution specialising in financial services, but denoted no fundamental change.

The activities of the banks between 1894 and 1911 hastened the emergence of a monetary economy and contributed not a little to the expansion of the West African trade.

The West African Currency Board, which was the offspring of a marriage of convenience between the Imperial Treasury and the Colonial Office, did nothing to alter the fundamental nature of the system. The Emmott Committee throughout its enquiry was preoccupied with reconciling the claims of British traders and two British Government Departments. The economies of West Africa remained dependent on British capital and British enterprise. Their employment necessitated a local currency whose value, in terms of sterling, would remain stable. The West African Currency Board was devised principally to ensure that convertibility into sterling at par would never be in doubt (45). British trading interests needed an issue of currency notes to facilitate remittances on the Coast (46). The Emmott Committee recommended such an issue (47). The Colonial Office required a currency system which would enable the Colonial Governments to obtain a share in the profits arising from the issue of token coinage (48).

(44) J.S. Mill, *Principles of Political Economy*, pp. 685-6.

(45) Cd. 6426, paras. 15-18.
(46) Evidence of G.E. Pickering Cd. 6427. Q. 1932.
Evidence of D.W. Paterson. *Ibid.* Q. 972.
Evidence of Sir George Fiddes. *Ibid.* Q. 49-53.
Evidence of H. Cotterell. *Ibid.* Q. 1705. 1758-1762.
Evidence of G. Miller. *Ibid.* Q. 1809-14. 1820. 1851.
Evidence of G.B. Zocharis. *Ibid.* Q. 2395.
(47) Cd. 6426, para. 65, sub-para 10.
(48) Evidence of Sir George Fiddes. Cd. 6427. Q. 10. Q. 61-65.

This, too, the Currency Board provided. Thus, the Emmot Committee Report admirably reconciled the needs of British Colonial Governments and the British trading and banking enterprises.

The Committee was, however, little interested in matters connected with the development of internal trade (49). It did not for example, provide the Gold Coast with a small denomination currency which it had long required (50). Nor were its recommendations in regard to the means of maintaining the internal convertibility of notes into coin very effective in practice.

This lack of concern with internal problems was also a feature of the Board's operations. The convertibility of notes outside those large trading centres which possess branches of the British banks has always been imperfect (51). On occasions convertibility has broken down altogether. The Board's willingness to transfer currency free of charge is restricted to a few towns. This leads to high remittance rates, a circumstance which probably retards the expansion of internal trading. The former difficulties, though they affect the expatriate trading concerns, cause them less inconvenience on the whole than they cause Africans, who handle the bulk of the distribution of imported goods from the towns to the villages, and bring the bulk of the agricultural produce from the villages to the towns.

The preoccupation of the Currency Board was external convertibility and this had its counterpart in the preoccupation of the British banks with the needs of expatriate enterprise. This was natural enough, as was the attitude of the Board, as long as it was reasonable to regard Nigeria as a place where England found it convenient to carry on the production of cocoa, groundnuts, palm oil and a few other tropical commodities and to assume, implicitly, that it could not easily be developed, economically and politically, into « a country carrying on an exchange of commodities with other countries ».

In the last twenty years, however, Nigeria has made great progress, not only politically but economically. In the political sphere, the benefits of British administration have created, if not a Nigerian nation, a force best described as Nigerian nationalism. Economically, despite cyclical vicissitudes, Nigeria has also progressed. Africans have absorbed European techniques, widened their commercial knowledge, and generated commercial ambitions. It is the impact of these newly emerging economic ambitions upon a banking structure primarily adapted to the satisfaction of expatriate needs that has produced the present banking situation, and which has led to the recent suggestion that Nigeria should establish a central banking institution of its own (52).

10. *Financial Evolution: Two Comparisons.*

Changing economic circumstances need a developing and flexible financial structure. The earlier sections of this paper have attempted to show how the existing currency and banking systems of Nigeria have evolved since the last decade of the nineteenth century, to point out that their nature results in the territory lacking monetary autonomy, to suggest that such development as has taken place has done so in response to the needs of expatriate (mainly British) enterprise, using expatriate (mainly British) capital, and to hint that, from the point of view of domestic capital formation through African enterprise, the system of the West African Currency Board buttressed by the two British banks, might not be ideal. The fundamental need is, of course, to modify the banking system in such a way as to allow indigenous enterprise to play its proper part in Nigerian development. This same view was put very forcefully

(49) The Committee recommended (Cd. 6426, para. 62), that the Board should be in London amongst other reasons because it « would have the advantage of being in touch with the principals of the West African banking and mercantile firms... ».

(50) Cd. 6427. Evidence of Major H. Bryan. Q. 280.

(51) H.L. Ward Price refers to pound notes being bought for 12/— (« Dark Subjects », p. 251) and in 1937 in Kano, notes reached a discount of 12½%. As late as 1950, notes were at a discount varying between 5%-12½% in the African market in Benin City. See also, Sir William Geary, *op. cit.*

(52) A motion requiring examination of this question was passed in the recent session of the Central Legislature held in early 1952.

by the Ceylon Banking Commissioners in their Report of 1934, who wrote (53).

« It was considered essential for the attainment of the goal of economic freedom that the public should have adequate financial assistance, so as to enable indigenous capital and enterprise to participate more actively in the trade and industries of the country and, in particular, to cultivate and expand the home market in preference to the export markets. The prevailing banking system, primarily designed to foster economic development by requisitioning the aid of non-indigenous capital and enterprise, proved to be ill adapted, by the very nature of its structure, to offer such facilities ».

The Ceylonese Commissioners also gave a very clear account of the difficulties which would arise if the banking system was unable to adapt itself (54).

« The social and economic conditions of a progressive community constantly alter and develop; and its banking system, which forms an essential part of the economic structure of the country, must continually adjust itself to the changing conditions. The ability of a banking system to achieve such adjustments depends partly upon the elasticity of its structure and partly upon the rate of change in the economic environments. Wherever the banking system is unable, for some reason or other, to adapt itself to progressive conditions, discontent prevails in the country, and this generally results in a demand for a public enquiry regarding the adequacy or otherwise of the existing banking system ».

How accurate the Ceylonese Commissioners were in their prophecies may be judged from the fact that, in 1951, Sir Cecil Trevor carried out an enquiry into banking conditions in the Gold Coast, which not only revealed a situation almost identical with that we have described in Nigeria, but also noted African dissatisfaction with the banking facilities, and recorded African complaints of discrimination on the part of the British banks (55).

The situation described in the Report of the Ceylon Banking Commission, like that currently prevailing in the Gold Coast, was broadly similar to that we have described as existing in Nigeria before World War II. There, too, the expatriate banks were mainly concerned to finance European enterprises engaged in external trade (56), and provided credit for Ceylonese only on very strict conditions (57). Most of the banks' branches were located in Colombo (58); facilities for internal remittances were rudimentary and expensive (59); there was little contact between expatriate bankers and their Ceylonese clients (60); and there were widespread allegations of discrimination against the Ceylonese on the part of the banks (61). The Commissioners sought to modify this situation through the creation, under Government auspices, of a « national bank » to operate as a commercial bank, compete with the expatriate banks, encourage the development of other local banks, and generally attempt to meet the demands of the indigenous community (62).

Faced with a broadly similar situation in the Gold Coast, Sir Cecil Trevor's Report recommends the creation of a government bank on commercial lines with the objects of meeting the needs of African enterprise and spreading the banking habit among the indigenous population (63). In Nigeria, banking adaptation has, subject to certain qualifications, been brought about through African initiative and enterprise.

11. *The Adaptation of the Nigerian Banking Structure.*

In the absence of commercial banks able to satisfy their needs, Africans traders and businessmen were forced to borrow from the money lenders who, as a source of capital, were both uncertain and expensive — particularly the latter (64). This situation undoubtedly gave rise to much bitterness. Africans

(53) Report of Ceylon Banking Commission, para. 4.
(54) *Ibid.*, para. 1.
(55) Gold Coast Report, paras. 46 and 103.

(56) Report of Ceylon Banking Commission, paras. 119 and 295.
(57) *Ibid.*, para. 119.
(58) *Ibid.*, para. 95.
(59) *Ibid.*, paras. 299 and 303.
(60) *Ibid.*, para. 119.
(61) *Ibid.*, paras. 108 and 109.
(62) *Ibid.*, paras. 279-303. The original proposals were bold and unorthodox. Orthodoxy was finally imposed from London. See Ceylon Sessional Paper I of 1937.
Cf. also B.R. Shenoy, *op. cit.*
(63) Gold Coast Report, paras. 155 and 104.
(64) This was one of the main complaints in Ceylon. It recurs in the Gold Coast Report (para. 49).

were, indeed, particularly incensed at the financial advantages enjoyed by Syrians and Levantines (65) and accused the banks of following a racially discriminatory credit policy. The truth, of course, was that Africans were not « acceptable » borrowers for the reasons we have outlined earlier, and their capacity to make use of the services provided by the British banks was decidedly limited. Unlike Ceylon and the Gold Coast, however, Nigeria did not indulge in an enquiry into the operations of the banking system. Instead Africans made repeated attempts to establish banks of their own.

The first attempt to operate an indigenous bank in Nigeria was made in 1929. A second followed its failure in 1931. In 1933, at a time when the second institution was plainly experiencing difficulties, the National Bank of Nigeria was formed. Despite these persistent efforts, however, little headway was made prior to the outbreak of World War II and, in 1939, deposits with the National Bank, which alone survived, were only a little over £ 10,000, while paid up capital was £ 4,707.

The wartime inflation and its extension into the post war period both gave a considerable stimulus to African banking. The expansion which resulted is summarised in Table VI.

This table makes it plain that Nigeria has experienced a banking boom of considerable intensity if small dimensions (66). For our purposes, however, the banking boom is of less interest than the character of the institutions which have arisen as its consequence.

The most important function which African banks were asked to perform was that called by Lavington « capital transportation ». To do this effectively entailed the banks being able to mobilise African savings and relend them to African borrowers who possessed ability but lacked the collateral necessary to make them « acceptable » to the British banks.

African banks have made use of aggressive tactics in the pursuit of deposits. Not only have

Table VI

INDIGENOUS BANKING EXPANSION IN NIGERIA

Year ending	No. of African Banks operating (a) (b)	No. of Banking Offices.	Total Deposits. £'000's.
	1	2	3
30th June, 1939	1	1	10.299
1940	1	1	15.474
1941	1	1	22.592
1942	1	1	37.789
1943	1	1	79.880
1944	1	3	106.325
1945	1	3	138.814
1946	1	5	172.965
1947	2	(c)	232.111 (d)
1948	3	(c)	(c)
1949	3	(c)	(c)
1950	4	(c)	(c)
1951	5	62 (f) (g)	1,570.000 (e)

(a) Column 1 excludes eleven companies registered as banks not yet in effective operation. Of these ten were registered between August 1951 and February 1952.

(b) Column 1 also excludes the Nigerian Penny Bank which was established in 1945, but which went into liquidation before attaining any size.

(c) Details for these years are lacking.

(d) Figure for National Bank of Nigeria only.

(e) Estimated total deposits as at December 1951 of the following African banks:
1. National Bank of Nigeria.
2. African Continental Bank.
3. Nigerian Farmers' and Commercial Bank.
4. Standard Bank of Nigeria.
5. Pan Nigerian Bank.

(f) Distributed between banks as follows (including Head Offices):

National Bank of Nigeria	10
African Continental Bank	10
Nigerian Farmers' Bank	29
Standard Bank of Nigeria	8
Pan Nigerian Bank	5
	62

(g) One bank maintains an office in London.

they offered rates of interest rising to 5% on time deposits, but they have conducted intensive press campaigns designed to attract depositors; in addition they have utilised the prestige of important chiefs, and made explicit appeals to nationalist sentiment. The phenomenal rise in deposits is a measure of the success of such unorthodox tactics. African bankers have, moreover, shown themselves fully prepared to accept accounts on which the average deposit is small and the number of transactions high. Tactics such as these can, of course, only be adopted if bank costs are sufficiently low or yields sufficiently high to make them worth while.

(65) *Mining, Commerce, and Finance in Nigeria*, p. 101. Much of this bitterness still remains. The accusations of discrimination were probably, in the main, if not in their entirety, unfounded.

(66) This boom is discussed in some detail in my article in « The Banker » of October 1951.

That bank costs per branch are low may be inferred from the fact that the existing indigenous banks maintain over sixty offices in Nigeria on total deposits of less than £ 2 millions (67). The main source of income for the banks differs from that of the British concerns. The latter, as we have seen, rely in large measure on commissions earned by the transfer of funds. The former derive the bulk of their income from their advances to African business men.

That African banks possess the first three of these cannot be in doubt. Whether they possess the fourth, time alone can tell. In view of the fact that their executives are African and are therefore in close social contact with their clients it is, however, at least arguable that they are better placed in this respect than the British banks.

Not altogether surprisingly in view of the necessity of offering comparatively attractive rates to depositors, the risky nature of many

NATIONAL BANK OF NIGERIA: 1947-1951
(as at 30th June in each year)

TABLE VII

Year.	Paid up Capital		Deposits and other Accounts		General Reserves		Cash		British and Nigerian Government Securities.		Other Investments.		Loans, Advances and Other Accounts.	
1	2		3		4		5		6		7		8	
	£.000s.	%	£.000s.	%	£.000s.	%	£.000s.	%	£.000s.	%	£.000s.	%	£.000s.	%
1947	26.71	11.5	232.11	100	6.00	2.6	38.07	16.4	40.00	17.2	6.90	2.8	180.72	77.9
1948	35.44	12.4	286.25	100	7.50	2.3	41.45	16.2	39.80	15.5	2.04	0.8	203.62	71.1
1949	37.41	11.4	328.30	100	7.50	2.2	87.03	26.5	39.80	12.1	3.34	1.0	223.43	67.2
1950	38.05	10.3	370.57	100	7.79	2.0	50.99	13.7	39.80	10.7	6.68	1.8	291.59	78.3
1951	38.22	4.5	870.54	100	10.00	1.5	80.66	9.3	39.80	4.6	6.68	0.8	762.17	87.7

Notes: 1. All percentages are of Column 3.
2. The table excludes « Bills for Collection », « Dividends Equalisation Account », « Dividend Account » and « Premises ».
3. Figures have been rounded to nearest £ 10.
Source: Annual Balance Sheets.

Successful lending to Africans requires four attributes on the part of the banks:

(a) willingness to undertake relatively risky credit operations (68);

(b) willingness to grant small advances;

(c) willingness to accept the available forms of collateral;

(d) capacity to assess the merits of individual African borrowers.

loans, and the dependence of the banks on advances as a source of income, the charges made for accommodation are relatively high compared to those of the British banks and advances, as a whole, form a far larger proportion of total assets (69). The second condition is well illustrated by the following figures relating to the National Bank of Nigeria.

Table VII not only shows the dependence of the National Bank on advances to African business men but emphasises the manner in which the policy of indigenous banking institutions differs from that of the existing British banks. This is particularly obvious in regard to the National Bank's holding of « liquid » overseas assets.

(67) One bank is currently maintaining 30 offices (including one in London) on total deposit liabilities of under £ 400,000 and a paid up capital below £ 14,000. Bank costs, however, are only low when considered in relation to the number of branches. In relation to the volume of deposits they are high and the banks can only operate on the basis of a high average yield on their asset portfolios.

(68) The Gold Coast Report remarks that « an unduly high risk is involved in the granting of credit in the Colony », para. 122. This statement is amply confirmed by the Chairman and Managing Director of the Nigerian Farmers' and Commercial Bank, who stated:

« Whenever we give certain type of traders overdrafts we are in constant fear as to their prospects of repayment » (Daily Times, Lagos, 1st October, 1951).

(69) African banks are usually fully loaned up; as a consequence their advances total is supply determined, while that of the British banks is demand determined. The most common rate for overdrafts appears to be 10%; for loans on mortgage this rises to 12½%.

There is no space to give a detailed account of the lending operations of African banks or of their advances distribution. Nor is it possible in this paper to discuss the more disquieting aspects of African banking expansion (70). That these exist can be inferred from the tables and the early history of indigenous banking systems in other underdeveloped territories. These considerations are, indeed, not germane to our present purposes which are: first, to give a short description of the type of institutions Africans have developed to meet the needs of indigenous enterprise for short and medium term finance (71); and second, to stress the magnitude of the gap which separates them from the British colonial banks.

12. *The Present Banking Situation in Nigeria.*

The rise of a group of African banks in Nigeria means that the territory is in danger of developing two banking « systems », each of which has its distinctive advantages and defects, and obtaining full benefits from neither.

The British « system », designed to serve a restricted community, has, in the past, brought the territory many important benefits. We have already touched upon its services in monetary management and its historic role in hastening the disappearance of barter and the emergence of a monetary economy. So far, however, we have paid little attention to what is perhaps its most important gift: banking stability.

Financial stability is, of course, a fundamental condition for successful banking. There can be no doubt that both British concerns possess it, not only in virtue of their own asset distribution, their close contact with the London money market and hence, indirectly, with the Bank of England, but also through their associations with powerful British clearing banks. This, together with the economies in cash holdings which can be obtained through the facilities of the London money market (72), and the high standard of banking services provided, constitute the major contemporary benefits from the London connections of the banks.

There is, however, a less beneficient side to the London influences. British banking theory involves the restriction of commercial banks' lending activities to the provision of short term finance (73). This view may be well adapted to the needs of a country in which the money and capital markets are highly specialised. It is less easy to regard it as applicable in territories such as Nigeria in which no capital market exists and in which the commercial banking system provides the only institutional method of capital mobilisation and distribution (74).

Moreover, the very virtues of the British banks, in particular their cautious approach to lending may, in some measure, constitute a defect in the Nigerian setting. Underdeveloped territories do not Want Wild cat banks. They do, however, want banks which will lend to persons who have ability but lack collateral (75). Enterprise in colonial and backward territories is inevitably risky. The finance of small African enterprises in Nigeria is particularly so. It is doubtful whether British banks with their high standards can make a major contribution in this field. They may, in fact, be ill adapted to the needs of the territory in the more immediate future. This is particularly probable if, as is arguable, the most pressing need is to encourage domestic capital formation through African enterprise and accelerate the development of the internal market. Commercial banks which, like the two large British concerns, display a marked inclination to invest resources abroad cannot

(70) Some of these are discussed in my paper quoted above, note (66).

(71) African banks, particularly the National Bank of Nigeria, do a comparatively large business in providing medium term (1-4 years) finance against mortgages.

(72) Nigerian economic activity is, of course, markedly seasonal. If the banks were unable to invest resources for short periods in London this fact would involve them in the retention of surplus cash between (say) March and October, and thus materially raise their costs. Unfortunately, when London bill rates are low, the Currency Board transfer charge denies the banks the use of the London market between seasons.

(73) Cf. T. BALOGH, *Studies in Financial Organisation*, particularly pp. 81-83.

(74) That is apart from the money lenders, some of whom probably accept loans from individuals. The remaining savings institution, the Post Office Savings Bank, invests the bulk of its funds in London. As to whether such banking specialisation is justified, consult: U.N.O. « Domestic Finance of Economic Development ».

(75) R.S. SAYERS, *Money and Banking*, 2nd edition, p. 301.

be expected to make any important contribution to this process (76).

In many ways it is possible to regard the African banks as better adapted to Nigerian needs. Their willingness to lend to those who lack collateral but possess ability is not in doubt. Nor is the aggressiveness with which they pursue domestic savings. The fact that the standard of the services which they provide is, in general, a good deal lower than those of the British banks is not, at present, a major defect since the bulk of their customers do not feel any deprivation as a result. What is, however, of fundamental importance is their possible lack of financial stability.

Nigeria thus has no group of banks which can be regarded as wholly satisfactory. The banking « system » as a whole exhibits a paradoxical and potentially dangerous dichotomy. One group of banks possesses ample reserves, highly skilled executives, and long experience. It maintains, however, a restricted branch system, provides finance only for the most respectable and conventional borrowers, and tends to engage in capital export. The other group of banks lacks capital, controls a small volume of deposits, specialises in the finance of relatively risky undertakings, and has no contact with a lender of last resort. There can be little doubt that the result is not only a maldistribution of finance but also a dangerous distribution of risks. In the field of economic policy, therefore, the present Nigerian situation offers something of a challenge. The central problem, that of effecting financial adaptation, remains essentially the same as it once was in Ceylon and is, at the moment, in the Gold Coast. It differs, however, in form. In the Gold Coast the need is for the establishment of an institution capable of meeting indigenous demands. In Nigeria, it is for action which will ensure the stability of the existing African banks (77), encourage their development, and promote the integration of the banking system as a whole.

(76) The new Central Bank of Ceylon has taken powers to check this process. See Ceylon Sessional Paper XIV of 1949, para. 6, and Monetary Law Act, No. 58 of 1949.

(77) A banking ordinance has recently been enacted giving the Financial Secretary certain powers over banks, and designed to achieve this object. It resulted from an unpublished Report by an official of the Bank of England.

13. *Summary and Conclusions.*

The purpose of this paper was to illustrate, in terms of Nigeria, the process of financial evolution in colonial territories.

In it, we have attempted to show the main developments which have taken place in the currency and banking mechanism since the very early days in which the use of British token silver currency began to displace the older method of trade by barter.

We have argued that the benefits provided by the pre-war system based upon the West African Currency Board and buttressed by the services made available by the two British colonial banks were very real, but that the system was limited in its scope and designed primarily to satisfy the needs of expatriate enterprise. We have shown, moreover, that such a system is only appropriate to colonial territories in a particular stage of economic and political development, and illustrated by the examples of Ceylon and the Gold Coast both this and the type of stresses and strains which are likely to be felt when economic and political nationalism begin to make themselves apparent among the indigenous population (78).

Little explicit attention has been paid to the role of the banking system in promoting economic development. The importance of this has, however, been implicit in our argument that the main economic reason for regarding banking evolution as desirable lies in the need to maximise the flow of domestic savings into domestic investment (79).

Perhaps the major omission has been the failure to consider in any detail the problems connected with further financial evolution. In particular, there has been no discussion of the central banking issue, which has lately been raised in both Nigeria and the Gold coast (80).

(78) This process has not always been confined to territories with plural societies. Cf. the activities and arguments of Mr. O'Malley and the « torpedo brigade » in Australia and the early history of the Commonwealth Bank. (*Australia's Government Bank*, by L.C. Jauncey).

(79) On this question there is a growing body of literature mainly coming from international bodies. Cf. U.N.O. « Domestic Financing of Economic Development », p. 22 and the E.C.A.F.E. document quoted above.

(80) The Gold Coast Report contains a short and inadequate discussion of the case for a central bank of the Gold Coast (paras. 97-102).

This has been deliberate. The case for or against central banking in any territory needs to be considered in the light of the special conditions and needs of the particular territory itself. Detailed examination of the Nigerian situation would have destroyed such generality as the paper at present retains, as well as making heavy demands upon our space. One point in this connection can, however, be made. Colonial territories are mainly primary producers, heavily dependent upon exports, relying upon imports for a large part of their consumption needs, and possessing comparatively undeveloped banking systems. Such economies do not lend themselves easily to policies designed to stabilise income save by the awkward methods of export subsidisation or stock accumulation. Nor, since the role of the banking system in fluctuations is unimportant, can much be hoped for from central banking action designed to influence the behaviour of commercial banks and thus, indirectly, operate upon the flow of incomes. The case for central banking, in so far as it exists, rests upon the need to develop a widespread system of banking offices (81) capable of facilitating internal remittances and the expansion of internal trading and of playing an important part in promoting domestic capital formation.

That central banking will come eventually can hardly be doubted. That when it does it must assume a form far removed from the conventional British model is equally obvious (82). The establishment of a central bank is, after all, at least in part, an economic manifestation of the growth of national feeling in a territory and, in practice, within the British Commonwealth has rarely been carried out on the basis of exclusively economic arguments (83). Since nationalism, both political and economic, is increasing in West Africa, the time when the Currency Board mechanism will be replaced by one or more central banks may not be far distant. This, however, does not detract from the interest the Board system has for students of colonial monetary evolution, nor from the fact that it has undoubtedly conferred benefits on the territories to which it has been applied.

(81) On these points, cf. E.C.A.F.E. document quoted earlier, particularly pp. 1-11.

(82) It has not always been so. Cf. Gold Coast Report (paras. 97-102), where only an « orthodox » central bank appears to have been contemplated, and the experience of the Dominions as described by Plumptre, *op. cit.*, Chapter VIII.

(83) Plumptre, *op. cit.*, Chapter VI.

STATISTICAL APPENDIX

ITALIAN DOMESTIC PUBLIC DEBT

(milliards of lire - Index Numbers, 1938 = 100)

Table A

End of period	Consolidated and others		Redeemable debt		Floating debt					Treasury notes	Total of domestic public debt	
	A-mount	I. N.	A-mount	I. N.	Treasury bills	Interest bearing current accounts	Advances by the Bank of Italy	Total Amount	Total I. N.		Amount	I. N.
1938 - June	53	100	49	100	9	20	1	30	100	1.5	133.5	100
1947 - »	53	100	429	875	279	188	366	833	2,777	6.9	1,321.9	990
1948 - »	53	100	419	855	483	295	473	1,251	4,170	7.1	1,730.1	1,296
1949 - »	53	100	392	800	744	479	470	1,693	5,643	8.4	2,146.4	1,608
1950 - »	53	100	586	1,196	719	628	490	1,837	6,123	9.0	2,486.0	1,862
1951 - »	53	100	691	1,410	817	770	471	2,058	6,860	9.0	2,811.0	2,106
1952 - March	53	100	829	1,681	926	792	471	2,189	7,296	10.6	3,081.6	2,224
April	53	100	829	1,681	931	789	471	2,191	7,303	10.8	3,083.8	2,310
May	53	100	829	1,681	928	774	471	2,173	7,243	14.1	3,069.1	2,290
June	53	100	829	1,681	920	822	471	2,213	7,376	15.0	3,110.0	2,329
July	53	100	829	1,681	930	820	471	2,221	7,403	17.0	3,120.0	2,337
August	53	100	829	1,681	924	811	471	2,206	7,353	18.0	3,106.0	2,326

Source: *Conto riassuntivo del Tesoro.*

PRINCIPAL ASSETS AND LIABILITIES OF THE BANK OF ITALY

(amounts outsanding)

Table B

	December 31, 1938		December 31, 1948		December 31, 1949		December 31, 1950		December 31, 1951		September 30, 1952	
	Milliards of lire	%	Milliards of lire	%	Milliards of lire	%	Milliards of lire	%	Milliards of lire	%	Milliards of lire	%
Assets												
Gold	3.8	*16.8*	1.3	*0.09*	4.2	*0.2*	4.2	*0.2*	4.2	*0.2*	4.2	*0.2*
Foreign Exchange deposited abroad	—	—	17.2	*1.3*	20.6	*1.3*	27.9	*1.7*	36.7	*2.0*	38.7	*2.1*
Cash	0.5	*2.04*	1.5	*0.1*	2.0	*0.1*	2.2	*0.1*	2.0	*0.1*	6.3	*0.3*
Bank lendings to the Government (a)	5.5	*24.3*	876.6	*66.7*	911.8	*54.6*	806.0	*48.0*	790.3	*41.8*	815.5	*42.6*
Sundry debtors (b)	—	—	213.8	*16.3*	465.7	*27.9*	525.8	*31.2*	746.4	*39.6*	770.6	*40.1*
Credits to clients (c)	12.9	*56.4*	180.7	*13.7*	235.6	*14.2*	286.0	*17.1*	276.4	*14.6*	259.4	*13.6*
Other assets	0.1	*.5*	22.9	*1.7*	28.4	*1.7*	28.2	*1.7*	30.5	*1.7*	22.4	*1.1*
Total	22.8	*100.0*	1,314.0	*100.0*	1,668.3	*100.0*	1,680.3	*100.0*	1,886.5	*100.0*	1,917.1	*100.0*
Libilities												
Note circulation	18.9	*83.09*	963.0	*73.3*	1,048.2	*62.8*	1,165.2	*69.3*	1,291.8	*68.5*	1,285.5	*67.1*
Sight drafts	0.9	*3.9*	17.9	*0.4*	14.7	*0.9*	18.7	*1.2*	14.7	*0.7*	15.0	*0.7*
Demand Deposits	0.8	*3.6*	68.0	*5.2*	110.7	*6.6*	123.4	*7.3*	75.1	*4.0*	39.4	*2.1*
Tied Deposits	0.3	*1.5*	164.0	*12.5*	262.7	*15.7*	252.1	*15.1*	308.4	*16.3*	414.0	*21.5*
Counterpart Lira-Fund	—	—	58.1	*4.4*	159.6	*9.6*	35.0	*2.0*	36.5	*2.0*	28.9	*1.5*
Other liabilities	0.8	*7.9*	42.9	*3.3*	72.4	*4.4*	85.9	*5.1*	160.0	*8.5*	134.3	*7.1*
Total	22.8	*100.0*	1,314.0	*100.0*	1,668.3	*100.0*	1,680.3	*100.0*	1,886.5	*100.0*	1,917.1	*100.0*

(a) Government securities, advances to the Treasury, advances on Allied Forces account, current account with the Treasury, sundry credits on Government account, gold deposited abroad due by the State;
(b) Mainly, advances to the Italian Exchange Office for export financing;
(c) Includes: inland bills, bills for collection, advances.

Source: *Bollettino* of the Bank of Italy.

Table C

DEPOSITS AND CURRENT ACCOUNTS IN ITALIAN ORDINARY BANKS AND POSTAL SAVINGS BANKS

End of period	Ordinary Banks (a)						Postal Savings Banks						Percent ratio to deposits and c/a of ordinary Banks
	Deposits		Current Accounts (b)		Total		Deposits		Current Accounts		Total		
	Milliards of lire	Index numbers	Milliards of lire	Index numbers	Milliards of lire	Index numbers	Milliards of lire	Index numbers	Milliards of lire	Index numbers	Milliards of lire	Index numbers	
1938	38	1	17	1	55	1	29	1	1.1	1	30	1	54.7
1947	528	14	485	28	1,014	18	199	6	33	30	232	8	22.9
1948	805	21	715	41	1,520	27	342	12	51	46	380	12	25.0
1949	1,016	27	933	55	1,949	35	522	18	135	122	657	22	33.7
1950	1,172	31	1,063	62	2,235	41	689	24	128	116	816	27	36.5
1951 - March	1,180	31	1,091	64	2,271	41	715	25	137	124	852	28	37.5
June	1,188	31	1,090	64	2,278	41	731	25	152	138	883	29	38.8
September	1,257	33	1,179	69	2,436	44	755	26	143	130	898	30	36.9
December	1,364	36	1,324	78	2,688	49	764	26	160	145	924	31	34.4
1952 - March	1,420	37	1,355	80	2,775	50	834	29	149	135	983	33	35.4
June	1,455	38	1,435	84	2,890	52	855	29	172	156	1,027	34	35.5
July	1,508	40	1,462	86	2,970	54	867	30	194	176	1,061	35	35.7
August	1,536	40	1,469	86	3,006	55	872	30	190	172	1,062	35	35.3
September	1,567	41	1,510	88	3,077	56	885	31	191	173	1,076	36	34.9

(a) Public Law Credit Institutes, Banks of National Interest, Ordinary Credit Banks, People's Co-operative Banks, Savings Banks and Pledge Banks of 1st Category.
(b) Inter-bank current accounts are excluded.

Source: *Bollettino* of the Bank of Italy.

DEPOSITS, CURRENT ACCOUNTS AND ASSETS OF ITALIAN BANKS (a)

(millions of lire)

Table D

Items	31.12.50	31.3.51	30.6.51	31.9.51	31.12.51	31.3.52	30.6.52
Amounts outstanding							
Deposits and current accounts	2,234,906	2,271,054	2,278,302	2,436,104	2,686,037	2,776,883	2,893,738
Cash and sums available at sight	221,621	178,859	171,502	196,607	294,938	224,778	219,283
Fixed deposits with the Treasury and other Institutions	280,417	275,475	281,552	333,919	342,529	392,791	399,324
Government Securities (b)	545,755	576,184	571,834	623,517	645,693	718,173	735,181
Credits to clients (c)	1,772,344	1,824,318	1,889,950	1,915,938	2,105,123	2,130,189	2,194,527
Index Numbers: 31-12-1948 = 100							
Deposits and current accounts	147.0	149.4	149.9	160.2	176.8	182.6	191.6
Cash and sums available at sight	131.0	105.8	101.5	116.3	174.5	133.0	129.7
Fixed deposits with the Treasury and other Institutions	157.7	155.0	158.4	187.8	192.7	221.0	224.6
Government Securities (b)	131.7	139.1	138.0	150.5	155.8	173.3	177.4
Credits to clients (c)	156.9	161.6	167.4	169.6	186.4	188.6	194.3
% of deposits and current a/cs							
Cash and sums available at sight	9.9	7.9	7.5	8.0	10.9	8.0	7.6
Fixed deposits with the Treasury and other Institutions	12.5	12.1	12.4	13.7	12.7	14.1	13.8
Government Securities (b)	24.4	25.4	25.1	25.6	24.0	25.3	25.4
Credits to clients (c)	79.3	80.3	82.9	78.6	78.4	77.7	75.8

(a) The data refer to 365 banks (commercial and savings banks) which hold about 99% of the total deposits collected by all Italian banks.
(b) Treasury bills and other Government securities. Nominal value.
(c) Includes: bills on hand, rediscount at the Bank of Italy, contangoes, advances, current accounts, credits abroad, loans recoverable on salaries, credits on note of hand, mortgage loans, current accounts with sections for special credits, non-Government securities, participations.

Source: *Bollettino* of the Bank of Italy.

NOTE CIRCULATION, PRICES, WAGES AND SHARE QUOTATIONS IN ITALY

(Index Numbers, 1938=100)

Table E

Year or month	Note Circulation (a)		Wholesale prices (c)		Cost of Living (c)	Wage rates in industry (c)	Share quotations (b)	Fine gold	
	Amount (b) (milliards of lire)	Index	All commodities	Foodstuffs				Price of one gram (lire) (d)	Index
1938 December	970.9	4,315	5,696	5,969	4,917	5,415	1,416.9	995	3,826
1949 December	1,058.2	4,703	4,747	4,954	4,753	5,791	1,511.3	957	3,680
1950 December	1,176.4	5,228	5,424	5,567	5,009	5,962	1,589.1	919	3,535
1951 March	1,101.7	4,896	5,746	5,539	5,199	5,972	1,727.8	932	3,585
June	1,100.3	4,890	5,595	5,456	5,394	6,329	1,618.3	868	3,338
September	1,164.1	5,173	5,438	5,446	5,371	6,685	1,711.0	888	3,415
December	1,304.2	5,796	5,454	5,478	5,416	6,685	1,714.9	885	3,403
1952 March	1,216.9	5,408	5,320	5,350	5,475	6,732	1,930.4	859	3,304
June	1,226.5	5,422	5,133	5,194	5,559	7,055	1,872.3	795	3,058
July	1,278.0	5,680	5,200	5,339	5,572	7,378	1,933.1	793	3,050
August	1,288.5	5,727	5,234	5,459	5,575	7,378	1,988.8	804	3,092
September	1,309.3	5,819	5,262	5,487	5,615	7,380	2,017.7	794	3,054

(a) End of year or month. Includes: Bank of Italy notes and Treasury notes; (b) *Bollettino* of the Bank of Italy; (c) *Bollettino Mensile di Statistica* issued by the by the Central Institute of Statistics; (d) Business Statistics Centre of Florence.

PRICES AND YIELDS OF ITALIAN SECURITIES BY MAIN CATEGORIES

(annual or monthly averages)

Table F

Year or month	Government Securities								Share Securities	
	Bonds				Treasury Bills		Average			
	Consolidated		Redeemable							
	Price (index number '38=100)	Yield (per cent per annum)	Price (index number '38=100)	Yield (per cent per annum)	Price (index number '38=100)	Yield (per cent per annum)	Price (index number '38=100)	Yield (per cent per annum)	Price (index number '38=100)	Yield (per cent per annum)
1948 - a. av.	99.4	5.43	85.8	6.60	89.2	5.93	87.6	6.22	1,319.5	2.31
1949 - » »	105.9	5.10	96.1	5.89	94.6	5.59	96.0	5.68	1,567.7	3.97
1950 - » »	105.4	5.13	93.4	6.06	93.6	5.68	93.6	5.83	1,528.2	5.44
1951 - » »	101.9	5.30	88.2	6.42	87.3	6.06	89.1	6.12	1,676.2	6.56
1951 - March	102.5	5.27	87.6	6.46	85.9	6.16	88.0	6.19	1,727.8	6.16
June	101.5	5.32	87.3	6.48	87.1	6.07	88.6	6.15	1,618.3	7.12
September	101.7	5.31	89.4	6.33	89.8	5.89	91.1	5.98	1,711.0	6.83
December	100.9	5.35	87.3	6.48	85.2	6.21	87.5	6.23	1,714.9	6.59
1952 - March	99.6	5.42	87.3	6.48	86.4	6.12	88.2	6.18	1,930.4	6.13
June	100.9	5.35	90.6	6.25	92.0	5.75	93.3	5.84	1,872.3	6.57
July	101.5	5.32	91.3	6.20	92.8	5.70	94.0	5.80	1,933.1	6.42
August	101.7	5.31	93.6	6.05	94.0	5.63	95.4	5.71	1,988.8	6.29
September	..	..	..	..	..	..	95.1	5.73	2,017.7	6.21

Source: *Bollettino* of the Bank of Italy.

WHOLESALE PRICES BY GROUPS OF COMMODITIES

(Index Numbers, 1938=100)

Table G

Year or month	All Commodities	Foodstuffs		Textiles	Hides, Skins and Footwear	Raw materials, metal and engineering products	Fuels and lubricants	Chemical raw materials and products	Lumber	Paper goods	Bricks, Lime and Cement	Glass
		Vegetable	Animal									
1949 - a. av.	5,169	4,830	6,481	5,939	4,609	5,402	3,945	5,603	5,663	4,726	6,108	4,903
1950 - » »	4,905	4,746	6,401	6,015	4,191	5,228	3,784	5,302	5,677	4,778	6,106	4,928
1951 - » »	5,581	4,821	7,289	7,621	5,213	6,689	4,666	6,008	7,250	8,318	6,603	4,878
1951 - March	5,724	4,952	6,968	8,279	6,127	6,636	4,727	6,206	6,879	8,829	6,277	4,886
June	5,595	4,842	6,970	7,830	4,619	6,708	4,745	6,132	7,272	8,610	6,680	4,886
Sept.	5,438	4,678	7,438	6,911	4,724	6,711	4,767	5,794	7,532	8,122	6,812	4,886
Dec.	5,454	4,634	7,724	7,053	4,669	6,804	4,645	5,875	8,311	7,843	6,993	4,707
1952 - March	5,323	4,709	6,969	6,604	4,406	7,060	4,597	5,866	8,599	7,340	7,150	4,707
June	5,133	4,668	6,295	6,241	3,945	6,777	4,386	5,718	8,419	6,168	7,220	4,707
July	5,200	4,947	6,242	6,142	4,075	6,707	4,388	5,690	8,273	5,763	7,192	4,707
August	5,234	5,000	6,534	6,162	4,112	6,700	4,353	5,644	8,130	5,478	7,244	4,707
Sept.	5,262	4,987	6,675	6,194	4,111	6,686	4,343	5,588	8,133	5,362	7,357	4,707

Source: *Bollettino Mensile di Statistica.*

NATIONAL INDEX OF LIVING COST

(1938=100)

Table H

Year or month	All Items	Foodstuffs	Clothing	Heating and lighting	Housing	Miscellaneous
1948 - a. av.	4,844	6,083	6,004	2,634	377	4,318
1949 - » »	4,915	6,069	5,956	3,255	543	4,469
1950 - » »	4,849	5,877	5,742	3,480	730	4,610
1951 - » »	5,320	6,279	6,975	3,746	1,232	5,248
1951 - March	5,199	6,105	7,065	3,665	1,258	5,070
June	5,394	6,412	7,108	3,687	1,260	5,108
September	5,371	6,330	6,923	3,766	1,265	5,435
December	5,416	6,353	6,854	3,956	1,279	5,522
1952 - March	5,475	6,419	6,596	3,997	1,539	5,532
June	5,559	6,566	6,410	3,991	1,576	5,[illegible]6
July	5,572	6,587	6,347	4,009	1,576	5,500
August	5,575	6,587	6,308	4,058	1,617	5,495
September	5,615	6,651	6,261	4,077	1,618	5,491

Source: *Bollettino Mensile di Statistica.*

WAGES AND SALARIES IN ITALY

(gross retributions - inclusive of family allowances)

(Index Numbers, 1938=100)

Table I

Categories	1950 a. av.	1951 a. av.	1952				
			march	june	july	august	september
Industry:							
Specialized workers	4,956	5,616	5,916	6,168	6.420	6,420	6,428
Skilled workers	5,607	6,182	6,507	6,812	7,117	7,119	7,119
Ordinary workers and semi-skilled labourers	6,009	6,544	6,895	7,232	7,568	7,568	7,570
Labourers	6,513	7,013	7,415	7,796	7,177	8,177	8,179
General index of Industry	5,825	6,386	6,732	7,055	7,378	7,378	7,380
Agriculture	6,443	6,578	6,752	6,789	6,822	6,854	6,916
Government Civil Employees:							
Group A (a)	3,191	3,373	3,373	3,962	3,692	3,962	3,962
Group B (b)	3,224	3,424	3,424	3,927	3,927	3,927	3,927
Group C (c)	4,131	4,223	4,223	4,693	4,693	4,693	4,693
Subordinate staff	4,845	4,928	4,928	5,297	5,297	5,297	5,297
General Index of Government Civil Employees	3,798	3,936	3,936	4,425	4,425	4,425	4,425

(a) Administrative grade; (b) Executive grade; (c) Clerical grade.
Source: *Bollettino Mensile di Statistica.*

UNEMPLOYMENT IN ITALY BY ECONOMIC SECTORS

Table L

Year or month	Agriculture	Industry	Commerce and services	Transport and communications	Credit and Insurance	Unskilled workers	Employees	Total	I. N. (a. av. 1947=100)
1949 - June	239,808	1,034,410	46,352	22,477	678	378,288	93,755	1,815,768	89.7
December	371,214	1,116,297	50,781	21,257	712	402,391	92,454	2,055,606	101.7
1950 - June	251,524	911,241	43,158	17,978	608	370,790	77,550	1,672,849	82.6
December	435,552	1,024,305	47,395	19,499	573	470,618	71,867	2,069,809	102.2
1951 - March	292,023	864,354	51,389	23,362	(a)	483,108	76,176 (b)	1,790,412	88.4
June	321,985	919,880	55,126	24,667	(a)	499,053	83,250	1,903,961	94.0
September	368,806	872,261	51,135	22,427	(a)	481,227	82,612	1,878,468	92.7
December	400,995	997,191	61,592	25,591	(a)	523,797	84,992	2,094,158	103.4
1952 - March	454,345	1,051,078	68,567	28,626	(a)	542,052	91,566	2,236,234	110.4
June	414,885	984,341	64,597	27,014	(a)	447,800	93,071	2,031,708	100.3
July	442,797	989,762	60,778	26,763	(a)	447,635	94,478	2,062,213	101.8
August	455,460	969,884	59,379	26,185	(a)	438,578	92,426	2,041,912	101.6

(a) Included in « employees » beginning from March 1951.
(b) Since March 1951 « credit and insurance » unemployed are included.
Source: Ministry of Labour, *Statistiche del Lavoro.*

ITALIAN INDUSTRIAL PRODUCTION INDEXES (a)
(unadjusted, 1938 = 100)

Table M

Year or month	General Index	Mining	Manufactures: Total	Food	Textiles	Lumber	Paper	Metallurgy	Engineering	Non metallic ores	Chemicals	Rubber	Electric Power
1948 - a. av.	99	82	93	93	96	54	73	87	104	90	93	103	148
1949 - » »	105	90	101	111	99	58	91	85	115	96	105	115	136
1950 - » »	121	101	116	134	104	59	106	105	122	119	127	132	160
1951 - » »	137	119	131	139	109	62	114	135	130	128	171	152	186
1951 - March	141	109	136	142	123	63	124	128	138	130	171	172	183
June	139	108	133	133	111	65	111	144	134	132	173	160	193
September	137	128	131	130	106	67	114	141	135	128	172	150	186
December	135	123	127	160	93	57	107	139	115	126	174	129	194
1952 - March	138	139	132	144	104	68	111	143	134	138	169	134	183
June	139	132	131	139	96	62	106	149	142	133	166	131	200
July	148	154	140	136	111	65	119	157	155	135	173	158	205
August	116	132	107	118	70	44	86	136	95	128	163	88	183
September	150	159	144	149	117	61	115	162	158	136	174	155	195

(a) On the problem of index numbers on Italian industrial production, see this Review, No. 16, January-March 1951: *A Note on the Index Numbers of Italian Industrial Production*, by E. D'ELIA, pag. 34; and *National Income, Consumption and Investments in Italy*, ibid., pag. 3.

Source: *Bollettino Mensile di Statistica.*

ITALIAN CONSUMPTION OF SOLID AND LIQUID FUELS, ELECTRIC ENERGY AND NATURAL GAS
(bituminous coal equivalent - in thous. of metric tons - monthly averages)

Table N

	1949	1950	1951	1952 (a)	Index numbers: 1938 = 100 — 1949	1950	1951	1952
Coal and lignite	840	827	908	881	77.7	76.5	84.0	81.5
Domestic	95	91	95	91	79.1	75.8	79.1	75.8
Imported	751	736	813	790	78.2	76.6	84.6	82.2
Petroleum products (import.)	504	565	693	701	135.8	152.2	186.7	188.9
Electric energy	1,012	1,278	1,554	1,605	102.8	129.8	157.9	163.1
Domestic	1,001	1,264	1,539	1,588	113.8	143.7	175.–	180.6
Imported	11	14	15	17	73.3	93.3	100.–	113.3
Natural gas	27	63	116	159	2,700.0	6,300.0	11,600.–	15,900.0
Total (domestic and imported)	2,389	2,733	3,271	3,346	101.8	116.4	134.2	142.6

(a) On the basis of the first eight months.

Source: M.S.A. - Special Mission to Italy.

EXCHANGE RATES IN ITALY
(Italian lire for one unit of foreign currencies)

Table O

Annual or monthly averages	Italcambi buying rate: U. S. dollar	Pound sterling	Swiss franc	Clearing exchange rates: Swiss franc	French franc	Belgian franc	Swedish crown	Norwegian crown	Danish crown	Dutch florin	German mark
1950 - annual average	624.78	1,749.39	144.19	144.14	1.81	12.71	120.63	87.38	90.46	164.41	148.77
1951 - annual average	624.88	1,749.66	—	142.90	1.785	12.55	120.78	87.47	90.46	164.43	—
1951 - March	624.85	1,749.58	—	142.90	1.785	12.71	120.78	87.48	90.46	164.41	148.77
June	624.88	1,749.67	—	142.90	1.785	12.50	120.78	87.48	90.46	164.41	148.77
September	624.90	1,749.73	—	142.90	1.785	12.50	120.78	87.48	90.46	164.44	—
December	624.90	1,749.72	—	142.90	1.785	12.50	120.78	87.48	90.46	164.44	—
1952 - March	624.91	1,749.74	—	142.90	1.785	12.50	120.78	87.48	90.46	164.44	—
June	624.90	1,749.72	—	142.90	1.785	12.50	120.78	87.48	90.46	164.44	—
July	624.91	1,749.75	—	142.90	1.785	12.50	120.78	87.48	90.46	164.44	—
August	624.91	1,749.75	—	142.90	1.785	12.50	120.78	87.48	90.46	164.44	—
September	624.91	1,749.75	—	142.90	1.785	12.50	120.78	87.48	90.46	164.44	—

Source: *Bollettino* of the Bank of Italy.

Table P

CAPITAL, SHARE PRICES, AND DIVIDENDS OF SOME ITALIAN COMPANIES QUOTED ON STOCK EXCHANGES

Companies	Face Capital (thousands of lire)	Nominal value of shares (lire)	Last Dividend: Date of payment	Amount (lire)	Price of shares at Septem. 30, 1952 (lire)	Percentage of last dividend on price at Sept. 30, 1952
Financial ad Insurance						
Finmare - Soc. Finanz. Marittima	18,000,000	500	29.12.51	32.50	496	6.55
Strade Ferrate Meridionali (Bastogi)	17,500,000	1,000	23. 6.52	80 –	1,572	5.09
S.T.E.T. - Soc. Torinese Eserc. Telefonici	20,000,000	2,000	24. 7.52	150 –	3,050	4.92
La Centrale	9,800,000	4,000	15. 1.52	320 –	8,230	3.89
Pirelli & C.	288,000	100	31. 3.52	50 –	1,394	3.59
Assicurazioni Generali	8,000,000	4,000	7. 7.52	250 – (a)	9,405	2.66
Riunione Adriatica di Sicurtà	3,840,000	2,000	7. 8.52	110 –	4,850	2.27
Textiles						
Snia Viscosa	21,000,000	1,200	5. 5.52	225 –	1,645	13.68
Chatillon - Soc. Ital. Fibre Tessili Art.	5,500,000	1,000	5. 5.52	140 –	2,515	5.57
Linificio e Canapificio Nazionale	3,400,000	500	2. 1.52	75 –	1,126	6.66
Cotonificio Vittorio Olcese	2,000,000	1,000	5. 5.52	275 –	2,870	9.58
Cucirini Cantoni Coats	3,600,000	1,000	5. 5.52	350 –	7,180	4.87
Cotonificio Cantoni	1,200,000	1,000	24. 4.52	500 –	25,800	1.94
Lanificio Rossi	1,500,000	2,000	5. 5.52	600 –	13,270	4.52
Manifattura Lane in Borgosesia	1,500,000	4,000	10. 4.52	500 –	13,600	3.68
Minerals, Metals and Engineering						
Monte Amiata	1,640,000	1,000	5. 5.52	100 – (b)	2,905	3.44
Stabilimento Minerario del Siele	494,208	300	28. 4.52	100 –	2,440	4.10
Finsider A e B	18,000,000	500	4. 8.52	45 –	615	7.32
Ilva Alti Forni e Acciaierie d'Italia	15,000,000	300	2. 5.52	20 – (c)	364	5.49
Dalmine	8,000,000	500	12. 5.52	90 –	2,630	3.42
Terni	19,687.500	250	15. 5.52	14 –	264.50	5.29
F.I.A.T.	36,000,000	400	15. 4.52	50 –	526.50	9.50
Public Utilities						
Società Edison	75,000,000	2,000	31. 3.52	130 –	2,193	5.93
C.I.E.L.I.	16,000,000	2,000	31. 3.52	135 –	2,608	5.18
Soc. Adriatica di Elettricità	28,000,000	1,000	23. 7.52	70 –	1,084	6.46
S.I.P. - Soc. Idroelettrica Piemonte	37,309,999	1,200	30. 4.52	84 –	1,273	6.60
Vizzola - Soc. Lombarda Distr. Energia Elettrica	15,960,000	2,000	28. 4.52	160 –	2,920	5.48
Soc. Meridionale di Elettricità	30,240,000	1,000	14. 7.52	75 –	1,090	6.88
Soc. Elettrica Selt - Valdarno	17,420,000	3,350	26. 4.52	250 – (a)	3,940	6.34
Soc. Romana di Elettricità	17,420,000	3,350	25. 4.52	250 – (a)	3,935	6.35
Soc. Telefonica Tirrena - Serie A	9,000,000	2,500	6. 5.52	175 –	2,780	6.29
Soc. Telefonica Tirrena - Serie B		2,500	6. 5.52	175 –	2,845	6.15
Italcable	4,200,000	3,000	5. 5.52	180 –	4,300	4.19
Foodstuffs						
Eridania - Zuccherifici Nazionali	3,300,000	2,750	5. 5.52	550 –	20,025	2.75
Soc. Italiana Industria Zuccheri	2,700,000	1,500	5. 5.52	335 –	9,750	3.44
Chemicals						
Montecatini	56,000,000	700	31. 3.52	84 –	1,091	7.70
A.N.I.C. - Azienda Naz. Idr. Combustibili	7,200,000	100	5. 5.52	12 –	167.75	7.15
Società Italiana per il Gas	14,850,000	1,000	14. 7.52	1.60 (d)	1,215	6.58
Sundry						
Soc. Gen. Immobiliare	6,867,500	250	2. 5.52	28 –	444	6.31
Istituto Romano dei Beni Stabili	4,098,300	3,000	5. 5.52	180 –	7,220	2.49
Pirelli Soc. per Azioni	14,400,000	600	31. 3.52	80 –	1,225	6.53
Italcementi	4,000,000	1,000	5.11.51	250 –	9,540	2.61
Cartiere Burgo	4,800,000	2,000	28. 4.52	450 –	7,430	6.06

(a) On shares of a nominal value of L. 3,000
(b) On shares of a nominal value of L. 600
(c) On shares of a nominal value of L. 200
(d) On shares of a nominal value of L. 20

Table Q

CAPITALISATION INDEXES OF SOME ITALIAN COMPANIES QUOTAD ON STOCK EXCHANGE (*)
(capital value of 1 lira invested in 1938)

Companies	Lire								
	August-Septem. 1951	January 1952	Febr. 1952	March 1952	April 1952	May 1952	June 1952	July 1952	August-Septem. 1952
Financial and Insurance									
Strade Ferrate Meridionali (Bastogi)	21.79	23.29	22.99	23.44	21.19	20.29	20.59	20.74	22.69
S.T.E.T. Soc. Torinese Esercizi Telefonici	11.83	15.28	15.69	15.55	14.78	15.55	15.94	15.72	16.44
La Centrale	18.52	19.51	20.38	20.63	19,51	20.13	21.06	23.45	24.47
Pirelli & C.	22.24	24.00	24.54	23.95	22.00	21.90	26.40	27.37	31.77
Assicurazioni Generali	20.78	24.77	24.60	28.43	24.94	25.33	27.00	27.50	29.16
Riunione Adriatica di Sicurtà	12.17	16.04	19.03	25.15	20.39	19.37	25.83	32.63	33.31
Textiles									
Snia Viscosa	33.27	32.52	31.63	32,01	49.24	23.95	24.07	23.32	20.16
Chatillon Soc. It. Fibre Tessili Art.	58.53	47.07	45.06	44.13	21.81	40.26	43.98	41.03	33.91
Linificio e Canapificio Nazionale	32.25	30.39	29.64	28.89	25.87	24.92	26.27	26.07	27.63
Cotonificio Vittorio Olcese	58.62	55.09	52.55	52.83	43.79	38.85	41.53	41.11	39.55
Cucirini Cantoni Coats	42.31	41.65	43.36	46.46	45.35	45.13	53.09	60.73	68.69
Cotonificio Cantoni	83.74	83.24	89.19	89.68	90.18	86.71	93.40	98.60	108.02
Lanificio Rossi	44.21	40.66	38.72	38.72	38.40	36.14	44.37	42.82	42.60
Manifattura Lane di Borgosesia	47.88	47.12	48.26	45.62	40.34	41.47	41.47	42.41	47.88
Minerals, Metals and Engineering									
Monte Amiata	15.31	19.82	20.55	24.92	22.57	23.25	23.35	23.55	28,26
Stabilimento Minerario del Siele	19.52	25.21	25.50	28.49	24.79	26.35	26.64	26.50	34.19
Ilva Alti Forni e Acciaierie d'Italia	2.99	4.42	5.28	5.95	4.77	4.45	4.77	4.78	5.68
Dalmine	96.05	128.20	144.07	150.59	128.20	136.34	144.07	150.98	172.84
Terni	4.90	6.40	6.77	8.17	5.84	5.41	5.95	5.70	6.10
F.I.A.T.	17.96	18.18	18.48	18.77	16.34	16.12	16.71	17.08	18.11
Ansaldo	0.11	0.07	0.13	0.14	0.13	0.12	0.11	0.11	0.10
Bianchi Edoardo	11.70	13.44	13.65	14.74	12.35	12.57	13.22	13.22	13.44
Nebiolo	1.46	0.60	0.56	0.56	0.56	0.39	0.47	0.43	0.43
S. Giorgio	0.03	0.01	0.01	0.01	0.01	0.01	0.01	0.01	0.01
Public Utilities									
Soc. Edison	22.13	24.05	24.37	24.05	22.85	23.21	24.13	24.05	25.26
C.I.E.L.I.	15.22	17.05	18.09	17.70	17.05	18.03	18.60	18.74	20.54
Soc. Adriatica di Elettricità	10.33	11.53	11.44	12.24	11.77	11.86	12.36	11.77	12.24
S.I.P. Soc. Idroelettrica Piemonte	11.61	13.18	13.05	13.18	12.21	12.17	12.63	12.49	13.36
Soc. Meridionale di Elettricità	9.89	10.98	11.10	11.57	11.01	11.03	11.37	11.23	12.09
Soc. Elettrica Selt - Valdarno	11.19	13.45	14.13	14.53	13.70	14.11	14.44	15.15	15.77
Soc. Romana di Elettricità	16.69	19.69	21.29	21.54	20.37	21.11	21.54	22.15	23.14
Soc. Telefonica Tirrena	14.73	16.58	17.32	17.09	16.58	16.07	16.52	17.60	18.18
Italcable	43.36	48.01	49.21	51.01	47.71	44.71	45.61	51.31	58.52
Foodstuffs									
Eridania - Zuccherifici Naz.	38.52	39.92	42.55	42.90	40.86	43.77	47.86	53.99	56.62
Soc. Italiana Industria Zuccheri	36.30	42.64	44.09	44.75	44.62	50.95	53.46	59.93	61.25
Chemicals									
Montecatini	13.51	14.35	14.54	13.81	13.23	13.26	13.99	14.66	15.93
A.N.I.C. - Az. Naz. Idr. Combustibili	5.96	6.22	6.15	5.77	5.46	5.46	4.95	5.07	5.27
Soc. Ital. per il Gas	8.79	10.55	11.42	10.55	10.55	10.55	10.55	9.23	10.11
Sundry									
Soc. Gen. Immobiliare	15.56	17.67	18.84	18.52	18.41	16.93	17.89	19.47	22.96
Ist. Romano Beni Stabili	19.43	23.23	23.70	23.56	22.99	22.04	23.46	27.02	33.65
Pirelli Soc. per Azioni	21.72	23.34	24.54	23.95	22.00	21.31	22.51	22.09	27.50
Italcementi	59.49	61.98	64.92	64.46	61,88	62.62	66.95	72.20	85.64
Cartiere Burgo	48.79	66.88	66.27	67.08	61.50	59.56	61.80	66.88	68.10

(*) The index of capitalisation represents the capital value, at the end of a given period, of one lira invested in January 1938, and it is obtained by the following formula: $It = Pt\ Nt/Po\ No$, in which Pt = the price, at the time t, of the security in question; Nt = the number of shares held at the time t by a shareholder owning No shares at « O » time, purchased at the price Po, who has on each occasion reinvested the value (at the price on the first day of option) of his bonus or cash shares in the same security, as well as any repayments of capital and other proceeds accrueing to him from the ownership of the said shares, dividens excluded.

Source: *Bollettino* of the Central Institute of Statistics.