NIGERIAN CURRENCY SYSTEM, 1914-2014: A CENTURY OF TRANSFORMATION

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ABSTRACT

In 1914, the Protectorate of Northern Nigeria and the Colony and Protectorate of southern Nigeria were merged by Sir Fredrick Lugard. The new territory became known as the Colony and Protectorate of Nigeria. Lugard became its first Governor General and ruled between 1914 and 1919. Before then, Southern Nigeria which was a British Protectorate in the coastal areas of modern-day Nigeria formed in 1900, was added to Lagos Colony in 1906, and the territory was officially renamed the Colony and Protectorate of Southern Nigeria. From that time till date, the country has been experiencing transformations in its currency system. This paper sets to offer a historical overview of the transformation of Nigeria's currency system over a period of one hundred years, from 1914 to 2014. The paper demonstrates how the Nigerian currency system has evolved in the course of hundred years from a cash-based type to an increasingly cashless type. It was concluded that, although it is replete with

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challenges, the ongoing cashless policy in the country has come to stay. The paper is based on qualitative method of data collection and evaluation. Both primary and secondary sources of historical data have been consulted and utilised on the course of writing the paper.

INTRODUCTION

Nigeria came into being as a single political unit on January 1st, 1914, when the former Colony and Protectorate of Southern Nigeria (which included Lagos) was amalgamated with the Protectorate of Northern Nigeria to form the Colony and Protectorate of Nigeria. After amalgamation the country was administered as two groups of provinces, the Northern and Southern Provinces, and the Colony, which included the town and environs of Lagos. The Southern Provinces was later, in 1939, divided into two groups, the Eastern and Western Provinces. The country became independent on 1st October, 1960, as a Federation that was made up of three Regions, the Northern, Eastern and Western, with the Federal Territory of Lagos. It is situated on the west coast of Africa, on the shores of the Gulf of Guinea (which includes the Bights of Benin and Biafra) (Burns, 1978: 1-21). Within a century of its nationhood (1914-2014), Nigeria has witnessed different forms of currencies. This paper aims at examining developments in the Nigerian currency system from 1914 to 2014. It however, looks back into currencies of the pre-colonial time so that we can have background knowledge of what currencies were all about in the different polities that were pulled together to form Nigeria in 1914.

PRE-COLONIAL CURRENCIES

Most Eurocentric writers, who interpret the histories, cultures and economies of West African societies from a European (or Western) perspective, assumed that the people in this region failed to develop a monetary system that could facilitate trade (E. Lander, 2002). It was even claimed that, trade was conducted essentially by barter, i.e. the exchange of one article for another involving direct exchange of one good for some quantity of another good (M.L. Jinghan, 1984: 1). Even those who conceded that there were some medium of currencies, they saw them as articles of trade because they were purported to lack the major features of modern money (Aghalino, 2013). It is actually true that prior to colonial period exchange relations in most parts of Africa were conducted, initially through barter but later series of “transitional currencies” such as cowries and manilas were equally used (Yandaki, 2012: 6). One of the disadvantages of a barter system is that it is hard for either party to know if it has had the best of the bargain; and this is particularly serious where one or both parties is acquiring goods for further trade elsewhere (Johnson, 1966: 197).

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Since trade was a noticeable feature of pre-colonial economy, and money is essential for any meaningful trade transaction, currencies were not lacking in pre-colonial Nigeria. Trade involved multilateral relations and most goods were not readily interchangeable but money played the function of a medium of exchange (Aghalino, 2013). The close of the nineteenth century saw the beginning of an economic revolution in West Africa. Until during the second half of the nineteenth century the media of exchange in the Nigerian area consisted mainly of a variety of "primitive" currencies. They included copper wires, brass rods, manillas and cowries among others. Some of them had very limited areas in which they were used while others were used over vast areas including many polities. Many were locally sourced and had uses other than money (such as cloth or iron). Others were sourced far away such as Indian Ocean cowry shells and silver dollars from various European and American countries. All satisfied, to a minimal extent at least, the basic purpose of money: a medium of exchange, a store of value, a means of payment and a unit of account. However, by about the second decade of the twentieth century these currencies had been largely replaced by British silver coins (Hopkins, 1966: 471). In either case or both, the important thing to be underlined is that these currencies have existed and were used for economic transactions among different people of the Nigerian area (Chukwu, 2010: 88). Therefore, until the formal introduction of the British coins in Nigeria towards the end of the nineteenth century and banknotes much later in the second decade of the twentieth century, the pre-colonial economy had witnessed the use of what some analysts have described as trade currencies [Aghalino, 2013]. Others have preferred to call them local currencies.

COLONIAL CURRENCIES

When colonial administration was formally imposed on Africans, the colonial powers regarded the pre-colonial currencies as inefficient, pernicious and saw the answer in the introduction into their colonies of their own currencies which were generally lighter to carry. Again, with the formal imposition of British colonial administration on Nigeria by the beginning of the 20th century, the British began to consider the pre-colonial currencies as 'cumbersome' which would not allow for incorporation of the Nigerian economy into that of the British capitalist economy (Afigbo, 1974: 470).

The first major issue of currency in the Nigerian area was made following the colonial ordinance of 1880, which introduced the shilling as the sole legal tender currency in British West Africa. Later, the British introduced shilling as additional currency in British West Africa. By the 1890s, commercial transactions had begun to grow so exponentially in Nigeria that the use of cash became obvious. This development therefore needed to be sustained by a new monetary and banking system. Consequently, the British currency was declared legal tender in Nigeria. By 1900 coastal anchorages of European powers like Lagos, Accra and the communes of

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Senegal already had these European currencies. In 1903, the British introduced bronze coins and placed embargo on further importation and circulation of cowries, manila and copper-wire currencies. In 1908, further introduction of British currency was made when pennies, half-pennies and one-tenth of a penny were introduced. The pennies and half-pennies were made of nickel while the one-tenth of a penny was made of aluminium. Later, it was changed into an alloy of nickel (Olu, 1999: 169-170). By July 1916, sufficient progress had been recorded for paper currency to be introduced in Nigeria (Afigbo, 1974: 470).

The Bank of British West Africa (BBWA), the forerunner of the present First Bank of Nigeria Plc was used to distribute the currency in West Africa until in1912 when the West African Currency Board was established. In addition to the West African coins issued by the Bank of British West Africa referred to above, the Board issued a large number of currency notes which circulated freely in Nigeria. The West African Currency Board was constituted in 1912 primarily to provide for and to control the supply of currency to the British West African Colonies and Protectorates. It was, thus, responsible for issuing currency notes in the county from 1912 to 1959. On July 1, 1959, the Central Bank of Nigeria (CBN) was established (Afigbo, 1974: 470) Hence the colonial currency became the sole legal tender for Nigeria in particular and for British West Africa in general.It has been argued that during the age of colonialism, currency boards were created by European powers in their respective colonies for selfish economic ends, which among other things include the reduction of international and intra-colony transaction costs, and to promote imperial political identities. The creation of the West African Currency Board confirms this argument. Its establishment was due to the recommendations of the Report of the West African Currency Committee (WACC), a body commissioned by British Secretary of State for the Colonies, Lewis Harcourt. However, while economic considerations were central to the establishment of the Board in West Africa, it also had political ramifications for the local populations. For instance, it deprived Africans the ability to develop and control an indigenous monetary system that would enhance political autonomy from the colonial administration (Fuller, 2009: 54).

It should, however, be noted that the introduction of new currencies in Nigeria was not without any problem. Initially, many people resisted the new currencies. According to Chukwu, this was not unconnected with “either primordial social reasons or economic factors, or both”(Chuckwu, 2010: 91). For instance as he further stated, in northern Nigeria, which was believed to be a predominantly Muslim community, the British currencies were initially rejected on ground that they were introduced by the antagonist of Islamic faith (the *kuffar* or unbelievers) (Lawal, 2009: 63). In some other parts of the country, especially, in the South, where the local currencies had, for years dominated economic relations among the local people, it was felt that the British currency would impede the process of trading hence its objection by the people (Chukwu, 2010: 91).

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The British also faced problems circulating the new currencies. But through the payment of carriers and labourers on the railway lines, institution of direct taxation, court fees and fines which were compelled to be paid only in the new currencies, the newly introduced currencies were eventually accepted by the colonial subjects. Other means through which the British currencies received acceptability among the colonial subjects included, promotion of export production and import trade, development of banks, and then by proclamations, ordinances and decrees declaring indigenous currencies not as a legal tender.(Afigbo, 1974: 470) Kirk-Green further explains that in addition to aforementioned measures, the British went ahead to arrest and prosecute those among the native people alleged to have rejected the currency introduced by the colonial government officials (Kirk-Greene, 1960: 144) Thus, through these measures, all the pre-colonial currencies were gradually annihilated in order to pave way for the development of modern monetary system. By July 1916, sufficient progress had been recorded as far as introduction of British currency was concerned in the whole Nigeria (Afigbo, 1974: 470). It is therefore, clear that one of the major consequences of the British administration in Nigeria was the successful demonetization of the pre-colonial currencies and in their place there was introduction of the British monetary system consisting of coins and notes.

THENIGERIAN CURRENCY, 1960 -2014

As Nigeria approached the date of political independence in October 1960, moves were also made to position the country for economic independence. With the establishment of the Central Bank of Nigeria, the bank issued the Nigerian currency notes and coins and the West African Currency Board notes and coins were withdrawn. It should however be noted that in the 1960s, Nigerian currencies were still patterned after the British. It was not until 1st July, 1962 that the legal tender status was changed to reflect the country's new status. The notes were again changed in 1968 as a war strategy following the misuse of the country's currency notes (Nduwgwe, 2007: 35).

In 1973 the authorities introduced what could be described as truly Nigerian currency, the Naira and Kobo as an independent Nigerian currency. Earlier, on 31st March, 1971 General Yakubu Gawon, the then Head of State announced that Nigeria would change to decimal currency as from 1st January, 1973. According to management of currencies, currency decimalization refers to process of converting from a traditional currency denomination to a "decimal" system usually with two units differing by a factor of 100 [Nwaoba, 2010: 21]. The major currency unit would be called Naira (N) which would be equivalent to ten shillings: the minor unit would be called kobo; 100 of which would make one Naira. The name Naira was derived from Nigeria while its minor unit Kobo, was Nigeria's popular name for the British coin of one penny (Fayemiwo, 1991: 14).

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The decision to change to decimal currency followed the recommendations of the Decimal Currency Committee set up in 1962 which submitted its report in 1964. For a take-off of the new currency, four denominations of banknotes were issued. They were 50k, N1, N5, and N10. The CBN also introduced coins in the values of 1/2k, 1k, 10k and 25k in the economy (Chukwu, 2010: 93-94). From 1973 to 1999, various coins and paper denominations entered Nigeria's money market. There was also the millennium package from the year 2000 to 2005 (Bello, 2007: 49). On February 28, 2007 new and smaller currency notes (polymers) of the lower denominations (N50, N20, N10 and N5), as well as coins, were introduced to replace the existing ones (Nwaoba, 2010: 28).

Within the period covered by this article, the last change in Nigerian currency which came in 2014, was was the issuing of the commenmorative N100 banknote. It was unveiled by President Goodluck Ebele Jonathan and went into circulation on December 19, 2014. The commemorative banknote was designed in such a way that numerical 100 written on it indicate both the value of the currency and the attainment of Nigeria's centenary, i.e. from 1914-2014. The new design retained the potriat of Chief Obafemi Awolowo and circulated simultaneously with the existing N100 note. Below is a table, showing the changing trends (transformations) of the Nigerian currency from 1914 upwards

Table 1: Transformation of Nigerian Currency, 1914-2014

Year	**Currency**	**New Denominations**	**New Features and Remarks**
By 1914	WACB Notes and coins		
July 1, 1959	Pound and Shillings		CBN issued Nigerian notes and coins and withdrew the WACB notes and coins.
July 1, 1962	Pound and Shillings		Legal tender status was changed to reflect Nigeria's Independence

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1968	Pound and Shillings		Notes were changed as a war strategy
January 1, 1973	Naira and Kobo	1/2k, 1k, 5k, 10k, 25k coins N1, N5, N10 notes.	Decimal notes and coins were first issued. N1 replaced £1 as the major unit of currency
February 11, 1977	Naira and Kobo	N20	(i)Highest denomination of N20 note was first issued. (ii) First currency note bearing portrait of a Nigerian citizen.
July 2, 1979	Naira and Kobo	N1, N5 and N10	
1991	Naira and Kobo	Smaller 1k, 10k, 25k, 50k, N1 coins and N50 notes	The new notes bore the portraits of three Nigerian citizens.
1992	Naira and Kobo		N1 notes were coined
December 1, 1999	Naira and Kobo	N100	
November 1, 2000	Naira and Kobo	N200	
April 4, 2001	Naira and Kobo	N500	

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October 12, 2005	Naira and Kobo	N1000	
February 28, 2007	Naira and Kobo		Introduced new designs of N50, N20, N10 and N5 (in polymer notes). Withdrew 1/2 k and 25k from circulation.
December 19, 2014	Naira	N100	The Commemorative N100 note went into circulation.

Source: Adopted from P. Nwaoba, "The Political Economy of Currency Redenomination...pp. 27-28.

NEWER TRENDS, 2012-2014

One of the most recent reforms in the financial sector of Nigeria was the introduction of cashless policy. It is a CBN policy that aims at reducing the amount of physical cash in circulation and encouraging more electronic-based transactions with a view to among others, reducing the cost of banking services, checking high corruption level in the country and improving the effectiveness of monetary policy in managing inflation and driving economic growth. The policy took effect on 1st April, 2012 in Lagos as a pilot project. Its coverage was later extended to Federal Capital Territory (Abuja), and as from July 1, 2013, to five other states: Kano, Rivers, Abia, Ogun and Anambra. It pegged daily cash transactions and over the counter (OTC) transcations for individuals and corporate bodies at N150,000 and N1,000,000 respectively, in areas where the policy was introduced and extended. The amounts were later reviewed upward to N500,000 and N3,000,000 for individuals and corporate organisations respectively. Any over the counter cash transaction above the aforementioned amounts for individuals and corporate organisations was made to attract a charge of about N100 per every N1,000 in bank charges. Thus, the limit does not prevent customers from withdrawing or depositing beyond the pegged limits, but such customers should be prepared to pay the aforementioned punishment fee.

The essence of the policy is to shift the economy of the country from its history of long time cash economy (over 100 years), to a cashless one (Ovat, 2012: 128-129).Although up till 2014, the policy had not taken full effect in the entire country, a number of financial services that are prelude to it like use of Automated Teller Machine (ATM), alerts system, adjustment to 10 digits uniform account numbers, mobile money payment system and prohibition of encashment of third party cheque beyond

N150,000; were put in place (Ovat, 2012: 129). Consequently, the use of cash in the country's financial transactions was being discouraged. This was a turning point in the history of use of money in the country. Further developments came on board when Mr. Godwin Emefiele, became the CBN Governor in June 2014. He started-off with the delaying of the effectiveness of the cashless policy. This was based on challenges faced by the policy between 2012, when it was fully introduced, and 2014, which indicated that the country was not yet ready for it. According to the Governor of the apex bank:

> Over the course of the pilot, we have become aware of complaints by customers particularly regarding the charges being imposed for cash deposits. This has resulted in customers devising various means to avoid the charges through opening a multiplicity of accounts and other disingenuous behaviour all aimed at undermining the objective of this policy. Given these outcomes and to better reflect our goal of having more cash under our control, all charges on deposits are hereby stopped with immediate effect. [African Business Magzine, 2014: 56].

The above statement by the CBN governor clearly showed the suspension of an important aspect of the cashless policy, charges on cash deposit. The CBN boss, however, made it clear that the suspension was temporary, arguing that the policy was simply undergoing a review due to its apparent shortcomings (African Business Magzine, 2014: 56).

CONCLUSION

The 100 years of the currency system in Nigeria from 1914 to 2014 is what can be summarily described as,from currency to cashless policy and other related matters. Prior to, and during the early days of British administration in the country, Nigerians had to be persuaded, encouraged and sometimes even coerced to accept the newly introduced currency in place of multiple numbers of pre-colonial currencies. By the end of the colonial administration, the British had successfully replaced all the pre-colonial currencies with their own. Many types of modern currencies have equally entered the Nigerian money market from independence in 1960, to 2014. Similarly, what the country began to experience in its financial history profile as from January, 2012 is what is called 'cashless policy'- a policy, which aimed at limiting handling of cash in the country's economic system. This policy, which the CBN has been struggling to further entrench since 2012, is a policy that came to stay, as the realities of the global economy continues to tilt towards the cashless direction.

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