

# Credit for Africans; the demand for a 'national bank' in the Gold Coast colony<sup>1</sup>

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A landmark in the development of the Gold Coast's (Ghanaian) financial system was the establishment of a national bank (Bank of the Gold Coast)<sup>2</sup> in 1953.<sup>3</sup> It was a result of Africans' clamour for an indigenous institution that would provide them with much-needed capital for investment and commerce. There had been a widespread belief among Africans that branches of foreign-based banks did not accord them the same facilities as European firms. Even when they were provided, Africans were usually charged higher rates. The Colonial Office and the Bank of England opposed the idea of a specialised credit institution that would lend to customers regarded as uncreditworthy by foreign banks. These bodies accused the Africans of wanting 'a Santa Claus – not a bank',<sup>4</sup> a kind of 'fairy god-mother institution that would lend to all and sundry, credit-worthy or not'.<sup>5</sup>

Very little is known of the underlying processes and forces that shaped the creation of Bank of the Gold Coast.<sup>6</sup> It is not the intention here to attempt a belated contribution to the literature regarding the merits and demerits of establishing such a bank in pre-independence Gold Coast,<sup>7</sup> nor to delineate the residues of its past.

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<sup>2</sup> Prior to Bank of the Gold Coast's creation, the term 'national bank' was widely used to describe the institution anticipated by Africans. However, the title of 'Bank of the Gold Coast' was adopted in the 1952 legislation that established the bank. It was again adopted by Ghana Central Bank when established in 1957, with the original, 1953, bank becoming Ghana Commercial Bank. To avoid confusion, 'national bank' here refers to the 1953 bank.

<sup>3</sup> Address delivered by the Governor of Bank of Ghana on the occasion of the 10th anniversary of Ghana Commercial Bank in *Ghana Commercial Bank* (Accra, 1963), pp. 16–17.

<sup>4</sup> Bank of England Archive, London [hereafter BoE], OV69/2, Payton to Powell, 1 Jun. 1951, f. 1.

<sup>5</sup> *ibid.*, Internal memo, 24 Aug. 1951, f. 13.

<sup>6</sup> This is in part due to the widespread archival practice of allowing considerable time to elapse before making records public. For instance, the Bank of England has a 30-year rule in this regard.

<sup>7</sup> This was promptly addressed by scholars. See, for instance, D. C. Rowan, 'Banking adaptation in the Gold Coast: a critique of the recent report by Sir Cecil Trevor, C.I.E.', *The South African Journal of Economics* (1952); and W. T. Newlyn and D. C. Rowan, *Money and Banking in British Colonial Africa* (Oxford, 1954).

Rather, an attempt will be made to unravel the various interests at work that affected the establishment process and shaped the emergent institution.

## I

Before the advent of a national bank, the Gold Coast's commercial banking system comprised branches of Barclays Bank (DCO) and Bank of British West Africa. These had been opened to provide services for the government and British commercial enterprises. It was therefore not surprising that until 1951 they maintained only 18 branches within a colony having a population of c. 4m. On average, each branch served, potentially, 230,000 persons,<sup>8</sup> and the banks failed to satisfy Africans' needs.<sup>9</sup> The reasons for their unhelpful attitude, not only in the Gold Coast but also in other British west African colonies,<sup>10</sup> have remained a contentious issue. While some scholars have joined African nationalists in insisting that it was discrimination, pure and simple,<sup>11</sup> others have attempted an economic justification. Essentially, this latter group argued that foreign banks are primarily profit-making organisations and not development, or philanthropic, agencies.<sup>12</sup> Other commentators have sat on the fence.<sup>13</sup>

It is not the aim to explore these views in detail<sup>14</sup> but, for completeness, the following should be noted. First, if discrimination is taken as the enshrinement of an unlevel playing field in both the assessment and granting of credit facilities, then there was discrimination against Africans. There is, for instance, evidence that Barclays favoured Europeans and Asians to the detriment of Africans. Until 1950,

<sup>8</sup> Sir Cecil Trevor, *Report on Banking Conditions in the Gold Coast and on the Question of Setting Up a National Bank* (Accra, 1951) [hereafter Trevor Report], para. 34.

<sup>9</sup> Lack of interest in developing internal markets and assisting indigenous enterprise is a common feature of expatriate banks in underdeveloped territories, particularly in those possessing racially heterogeneous societies. See Economic Commission for Asia and the Far East, *Report on the Mobilisation of Domestic Capital in Certain Countries of Asia and the Far East* (Bangkok, 1951), ch. 3.

<sup>10</sup> Similar views were documented in Nigeria: Newlyn and Rowan, *Money and Banking*, p. 119; and Sierra Leone: N. A. Cox-George, *Report on African Participation in the Commerce of Sierra Leone and the Government Statement thereon* (Freetown, 1958), p. 47.

<sup>11</sup> See for instance P. Kennedy, *African Capitalism: The Struggle for Ascendancy* (Cambridge, 1988), p. 40; and M. H. Y. Kaniki, 'The colonial economy: the former British zones', in A. A. Boahen (ed.), *General History of Africa, VII, Africa Under Colonial Domination 1880–1935* (London, 1985), p. 405.

<sup>12</sup> See for instance Trevor Report, para. 122; D. C. Rowan, 'The native banking boom in Nigeria', *The Banker* (Oct. 1951), p. 244; G. O. Nwankwo, 'British overseas banks in the developing countries: 1–Until 1945', *Journal of the Institute of Bankers* (Jun. 1972), p. 157; and R. Fry, *Bankers in West Africa* (London, 1976), p. 116.

<sup>13</sup> See for instance T. A. Eggleston, 'The early years', in *Ghana Commercial Bank* (Accra, 1963), pp. 105–9.

<sup>14</sup> See C. U. Uche, 'Credit discrimination controversy in British West Africa: evidence from Barclays Bank DCO', *African Review of Money Finance and Banking* (1996) for a detailed analysis of the above views.

Barclays made no long-term loans to Africans; financed no fixed capital expenditure by Africans; and required all loans granted to Africans be repayable on demand.<sup>15</sup> This attitude arose because commercial banking was alien to Africans, and its systems were not designed with Africans' social and economic conditions in mind. The British banks were therefore perceived as alien and Africans considered their loans fair game.<sup>16</sup> It was this stance that led a Bank of England official to conclude, as already mentioned, that what some Africans wanted was 'a Santa Claus – not a bank'. Such views, however, stemmed from a lack of understanding of the ways that African credit systems functioned.

The idea that Africans were not creditworthy was far from the truth since they had long successfully operated their own financial institutions. For instance, in virtually all British west African communities, rotating credit institutions, bearing various names like Isusu, Esusu, Ajo, Adashi, among others, can be found.<sup>17</sup> Participation could give members access to credit, albeit limited. Though they had no tangible security, the village or community social systems usually served as a sufficient deterrent to ensure a high repayment rate for monies borrowed from such mechanisms.<sup>18</sup> Financial institutions, which have genuinely attempted to design a rural credit system that takes into consideration the rural poor's social environment, have always achieved some degree of success.<sup>19</sup> It was this failure to understand

<sup>15</sup> Barclays Bank Archives [hereafter BBA], 11/2272, Business with West African Customers, 19 Mar. 1958, pp. 1–2; and C. U. Uche, 'Accounting and control in Barclays Bank (DCO): the lending to Africans episode', *Accounting, Business and Financial History*, 8 (1998), pp. 240–1.

<sup>16</sup> In Uganda, for instance, the 1954 Committee on the advancement of Africans in trade asserted that 'we deplore the general attitude that the money of the Uganda Credit and Savings Bank is Government money and therefore fair game. We consider that it should be made clear to all the people that the money used for loans by the Bank is public money originating from, and belonging to, the people as a whole, administered on their behalf by a representative public board' (p. 35).

<sup>17</sup> For a description of these and other types of indigenous financial institutions in British west Africa, see G. Austin, 'Indigenous credit institutions in West Africa, c. 1750–1960', in G. Austin and K. Sugihara (eds), *Local Suppliers of Credit in the Third World, c. 1750–1960* (Basingstoke, 1993); idem, 'The Political Economy of the Advances System in Ghanaian Cocoa Buying, 1915–1938', paper presented at the Nordic Africa Institute Conference on Financial Institutions in the Political Economy: Case Studies from Pre-Colonial, Colonial and Post-Colonial Africa, Rosendal, Jun. 1998; and Falola, 'My friend the Shylock: money lenders and their clients in south western Nigeria', *Journal of African History*, 34 (1993).

<sup>18</sup> Though functionally successful, this system has its limitations since it is only capable of creating a limited amount of credit. It is therefore not robust enough to fuel economic growth in the rural areas: National Board for Community Banks, *Annual Report* (1993), p. 18.

<sup>19</sup> An example is Grameen Bank, Bangladesh, which has successfully developed a system of granting credit to the rural poor without tangible security. Rather, the bank encourages prospective clients to form small, homogenous groups. It is their responsibility to guarantee the loans to its members and ensure the repayment of loans. It has been concluded that 'one of the lessons of the Grameen Bank is that an appropriate institution can be developed only after considerable experimentation, through a thorough understanding of the physical and socioeconomic environment': M. Hossain, *Credit for Alleviation of Human Poverty: The Grameen Bank in Bangladesh* (Washington, DC, 1988) p. 11.

Africans within the context of their setting, among other reasons, that caused both government-sponsored and private colonial financial institutions to encounter great problems when dealing with Africans. These institutions therefore took the easy way out, and simply labelled Africans as uncreditworthy.<sup>20</sup>

Given that foreign-based commercial banks did not aim to satisfy African credit interests, Africans had the right to request a financial system designed to suit their needs and conditions, no matter how primitive or backward this may have seemed in the eyes of their British colonial masters. It was, perhaps, unfair to judge Africans by British standards, or to expect them to adapt to a banking system that had evolved to suit British social and economic conditions.

It was such discrimination that led to Africans questioning the status quo. As early as 1916, Samuel Duncan<sup>21</sup> led a delegation of African traders to London, where they protested against British Bank of West Africa's monopolistic position. This came to nothing.<sup>22</sup> On his return, Duncan published a pamphlet asserting that

Wealth is a potential factor governing all departments of life among the civilized nations of the earth today and the powers that be. If therefore, we wish our claims for political freedom to command attention, our educational progress and attainments may serve us to some extent, but the surest road for us to achieve success in this direction is the accumulation of wealth. And the only way in which we can best accomplish this is by combination and co-operation, by unity of interests in our business relationships and transactions in the various spheres and activities of commercial enterprise.<sup>23</sup>

The problem raised by the impact of the indigenous population's emerging economic and political ambitions upon a banking system designed to serve a restricted community was not unique to the Gold Coast. The Ceylon (Sri Lanka) Banking Commissioners faced similar conditions in 1934, and explicitly concluded that

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. Whenever the banking system is unable, for some reason or other, to adapt itself to progressive conditions,

<sup>20</sup> According to the official history of Bank of British West Africa, for instance, Africans 'did not as a rule, stick closely to the terms on which bank credit was granted. It was a frequent experience that the bank lent working capital to an African for his business, but the owner would divert the cash into buying or building houses as a private investment. The bank would then find, when it came to repaying the debt, that the business had been "milked" of capital and the loan could not be recovered': Fry, *Bankers in West Africa*, p. 116.

<sup>21</sup> Duncan was a Gold Coast (Ghanaian) politician and businessman organising anti-bank protests, rather than a banker: A. Ayida, 'A critical analysis of banking trends in Nigeria', in *Nigerian Institute of Social and Economic Research Conference Proceedings* (Ibadan, 1960), p. 29.

<sup>22</sup> W. A. Ajibola, 'The politics of banking development', in O. Oyejide and A. Soyode (eds), *Commercial Banking in Nigeria* (Ibadan, 1986), p. 36.

<sup>23</sup> Cited in N. Azikiwe, *Banking Monopoly in Nigeria: Statement made by the Hon. Premier in the Eastern House of Assembly on 8th August, 1956* (Enugu, 1956), p. 2.

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.<sup>24</sup>

It was therefore against this background that the cry for a change in the status quo gained legitimacy in the Gold Coast. As time progressed, imminent political change in the colonies made economic organisational change inevitable. Sympathy grew for the view that it was unfair to apply British banking standards to the 'primitive' people of the Gold Coast and, indeed, other colonies.

## II

Individually, Gold Coast Africans could do nothing to remedy the situation. Unlike in neighbouring Nigeria, where scores of indigenous banks sprang up to 'challenge' colonial banks, they could not be set up in the Gold Coast because of Section 5 of the 1906 Companies Ordinance, which prohibited their establishment.<sup>25</sup> It was perhaps because of this restriction that some Gold Coast indigenes went abroad to found banks. For instance, the first indigenous bank formed in Nigeria – Industrial and Commercial Bank – was championed by a Gold Coast indigene, Winifred Tete-Ansa.

Businessmen and financiers headed by Lord Lyvedon had registered the bank in England in 1914, but working arrangements were cancelled due to the outbreak of the First World War.<sup>26</sup> It was acquired by Tete-Ansa in 1924. Possibly because of the legal prohibition in the Gold Coast, Tete-Ansa formally opened the bank for business in Lagos in 1929, but established a small branch in Accra shortly afterwards.<sup>27</sup> The philosophy that animated the bank's founding was summed up by one of its promoters as

it is evident that there is no law to prevent the African from disposing of the efforts of his labour; therefore, provided with an international business link, he can market his own products, exchanging the proceeds therefrom for the purchase of foreign merchandise he may require. These are facilities that as a race we cannot expect these corporations organised for the purpose of exploitation to supply; but it is obvious that the opportunity exists for mutual organisation. It is the foundation for that organisation that the Industrial and Commercial Bank Limited with its affiliations have brought ...<sup>28</sup>

However, the bank was short-lived, going into liquidation in 1930. Very little is known of its internal operations, as, indeed, is the case with most early indigenous

<sup>24</sup> Ceylon Banking Commission Report, *Sessional Paper XXII* (Colombo, 1934), para. 1.

<sup>25</sup> Non-Gold-Coast companies were, however, allowed to carry on banking business within the colony: BoE, OV69/1, G. D. Paton, Report on Banking in the Gold Coast, 1948 [hereafter Paton Report], p. 7, f. 179a.

<sup>26</sup> A. G. Hopkins, 'Economic aspects of political movements in Nigeria and in the Gold Coast 1918–1939', *Journal of African History*, 7 (1966), p. 139.

<sup>27</sup> *ibid.*

<sup>28</sup> Cited in Azikiwe, *Banking Monopoly in Nigeria*, p. 3.

banks.<sup>29</sup> Though its liquidators established that the bank's paid-up share capital was £100,000, the state of the records was so chaotic that they could not determine the proportion subscribed.<sup>30</sup> It was further claimed that 'the Managing Director of the so called bank was a man with a very shady past', and that the 'prospectus originally issued by the "bank" was a highly misleading document'. The bank was also described as 'a share pushing establishment of the most blatant description'.<sup>31</sup> Tete-Ansa also had a hand in founding Mercantile Bank in Nigeria in 1931; again its lifespan was short, entering liquidation six years later.

### III

Despite the involvement of Gold Coast indigenes in banks outside the colony, they were handicapped in doing so at home. It was perhaps this limitation that led to pressure on the local colonial government to establish a national bank which would meet their needs. Dr J. B. Danquah, a lawyer and leader of the right-wing political party, United Gold Coast Convention (UGCC),<sup>32</sup> soon emerged as the champion of the national bank cause, perhaps for attendant political gains.<sup>33</sup>

Tension between the expatriate and indigenous commercial communities was mounting. In 1937–38, cocoa farmers combated the buying power of the expatriate companies by a 'hold up', or boycott, of sales.<sup>34</sup> A decade later, there was a mass indigenous boycott and protest against the alleged high profit margins earned by expatriate importers. This culminated in widespread riots that led to the Watson Commission of Inquiry. Though its report noted that the colony's economic situation was a reflection of conditions in the world economy at large, it criticised the foreign-trading community for the manner in which it established its prices. The report also criticised the local colonial government on the grounds that it failed to make robust use of its powers at an earlier stage, and particularly for treating the matter as a purely trading dispute.<sup>35</sup>

The 1948 riots, no doubt, exerted further pressure on the colonial authorities to take positive action, and the main political party, UGCC, did not lose any time in exploiting the commercial crisis.<sup>36</sup> The Convention People's Party (CPP), formed

<sup>29</sup> BoE, OV68/2, p. 1, f. 42.

<sup>30</sup> Paton Report, p. 7.

<sup>31</sup> *ibid.*, p. 8. Newlyn and Rowan, *Money and Banking*, p. 97, claimed that when the bank was wound up in 1930, its deposit liability was estimated at £11,735, later raised to £13,000.

<sup>32</sup> Once described by a Bank of England official as 'difficult ... but clever and years ahead of his time in the Gold Coast': BoE, OV69/1, Jackson to Overseas and Foreign Office, 6 Feb. 1951, f. 210.

<sup>33</sup> Paton in the Paton Report claimed that 'Dr. Danquah admitted to me that the demand for a state-aided bank is based on political considerations' (para. 12).

<sup>34</sup> D. Rimmer, *Staying Poor: Ghana's Political Economy 1950–1990* (Oxford, 1992), p. 25.

<sup>35</sup> G. B. Kay, *The Political Economy of Colonisation in Ghana: A Collection of Documents and Statistics 1900–1960* (Cambridge, 1972), p. 45.

<sup>36</sup> Rimmer, *Staying Poor*, p. 25.

a year later, was less interested in the issue of a bank for aiding African businesses.<sup>37</sup> This was perhaps because of the party's communist ideology, with its leader, Kwame Nkrumah, being a self-confessed Marxist.<sup>38</sup> With the passage of time, it became clear that what he actually had in mind was Soviet-style socialism. For instance, he once declared that 'we would be hampering our advance to socialism if we were to encourage the growth of Ghanaian private capitalism in our midst'.<sup>39</sup> He would 'place far greater emphasis on the development of Ghanaian co-operatives rather than encourage Ghanaians to start private business enterprises'.<sup>40</sup> State aid to private indigenous businesses, it was believed, would help create an indigenous bourgeoisie class, which was against CPP's ideology.

CPP, however, adopted a radical posture on the whole issue of colonialism. For instance, whereas UGCC called for 'full self-government in the shortest possible time', CPP demanded 'full self-government now'.<sup>41</sup> This strategy meant that its leadership was more interested in replacing the West African Currency Board, widely seen by Africans as the 'financial hallmark of colonialism', with an indigenous central bank. In fact, while discussions over a state-aided bank were in their infancy, CPP called for the establishment of a central bank.<sup>42</sup> The local colonial government perceived this as a dangerous option and, therefore, the creation of a 'national bank' was used to divert the attention of those demanding a central bank.<sup>43</sup>

#### IV

It was against this background that the local colonial government appointed an informal committee, comprising representatives of the elected members of the Legislative Council, other Africans concerned with commerce and a small number of officials. It was to discuss steps for encouraging African enterprise in trade and

<sup>37</sup> Founded in 1949 by Kwame Nkrumah as a breakaway faction of the UGCC. In the 1951, 1954 and 1956 elections, it won a comfortable majority of the seats in parliament. After Independence (March 1957), CPP progressively eliminated all organised opposition and, eventually, in 1964 became the only legal party in Ghana: see R. Genoud, *Nationalism and Economic Development in Ghana* (New York, 1969), p. xii.

<sup>38</sup> T. Killick, *Development Economics in Action: A Study of Economic Policies in Ghana* (London, 1978), p. 25.

<sup>39</sup> *Ghana Parliamentary Debates*, 11 Mar. 1964 (Accra), p. 34.

<sup>40</sup> *ibid.*, 2 Sep. 1960, cols 1071–3.

<sup>41</sup> Rimmer, *Staying Poor*, p. 26.

<sup>42</sup> The party's memorandum to the Trevor Commission concluded that 'What most of us would do, amid pitfalls and complications of modern life, without our own Bank, it is difficult to imagine; our own Central Bank is indeed our guide, our philosopher [sic] and our friend. At the apex of the vast edifice of Banking, is our own Central Bank. In more ways than one, its position is unique, though it would act for a humbler customer, it would as we could see be the Bankers' Bank and will be the Bank of *our own*': BoE, OV69/2, f. 3a.

<sup>43</sup> The Bank of England later admitted that 'the origin of the Bank of the Gold Coast [National Bank] was political. The real purpose was to deflect African pressure for the creation of a Central Bank': see BoE, OV69/3, Memo, 10 Sep. 1954, f. 35.

commerce. One arising recommendation was that the creation of a state bank should be investigated, the primary object being to provide greater facilities for Africans seeking financial assistance for trade and industry.<sup>44</sup> A secondary consideration, to which African members doubtless attached great importance, was that its establishment would provide Africans with immense opportunities for acquiring financial experience. This would be invaluable to them in the development of both natural resources and local, self-governing institutions.<sup>45</sup>

Subsequently, a draft bill was prepared for providing agricultural credit and relieving agricultural indebtedness.<sup>46</sup> As the technical issues involved were complex, it became necessary to seek expert advice and consult a number of government departments.<sup>47</sup> In a letter to the Colonial Office, the Governors' Deputy of the Gold Coast Government stressed

In view ... of the growing demand for increased participation in the Government of the colony and in the management of financial undertakings, I consider that the time has come when the establishment of a state bank in some form or other must now be considered.<sup>48</sup>

The Colonial Office was initially receptive but with reservations. In a letter to the Bank of England, W. G. Boss noted that

Our preliminary view is that there is a strong case for a state aided Bank, but we are aware of the possible dangers of extending credit into spheres where apparently the commercial banks have not thought it appropriate to venture and we should be grateful for advice.<sup>49</sup>

The Bank advised prudence, an internal memo noting that

There is a strong pressure in the Gold Coast for the establishment of a State-aided native bank. This is supported by the Governor and a draft Ordinance has been prepared. This follows very closely the lines of the Bank of Ceylon Ordinance ... I have written to H.M.T. and the Colonial Office at some length commenting and advising caution, but politics will, I think, decide the issue.<sup>50</sup>

Furthermore, the Bank was concerned that, given the Gold Coast's level of development, it was unlikely that there would be demand for another orthodox bank. In a letter to the Colonial Office, Powell commented that

While ... there is a strong and not unnatural desire on the part of the people there for a bank of their own for the encouragement of domestic industry and for educative purposes, it is

<sup>44</sup> BoE, OV69/1, Scott to Jones, 26 May 1948, f. 153a.

<sup>45</sup> *ibid.*

<sup>46</sup> This initial draft closely followed the provisions of the 1937 Bank of Ceylon Ordinance.

<sup>47</sup> BoE, OV69/2, Acting Colonial Secretary (Gold Coast) to Chief Commissioners, 10 Nov. 1949, f. 192a.

<sup>48</sup> BoE, OV69/1, Scott to Jones, 26 May 1948, f. 153a.

<sup>49</sup> *ibid.*, Boss to Rootham, 27 Jul. 1948, f. 157.

<sup>50</sup> *ibid.*, Memo, 20 Aug. 1948, f. 165. For an excellent analysis of the political motives behind the establishment of a national bank in the Gold Coast, see C. Schenk, 'Monetary institutions in newly independent countries: the experience of Malaya, Ghana and Nigeria in the 1950s', *Financial History Review*, 4 (1997).



not so clear that there is room for a new bank which would confine its activities to legitimate deposit banking and would at the same time be able to operate on a profit earning basis. Barclays and the British Bank of West Africa provide 18 banking offices which should be enough for a primitive country with some population of some 4 million.<sup>51</sup>

As will become clear, the Colonial Office accepted the Bank's advice but the government in Accra needed more convincing.

The Bank subsequently sent G. D. Paton to the Gold Coast to investigate the banking question.<sup>52</sup> In his report, he maintained the Bank's views, concluding that 'On economic grounds there would appear to be little or no justification for the establishment of a "national bank".'<sup>53</sup> This was based on

the African share in the import and export trade as a whole is very small, not to say negligible. There are a few African trading concerns of some standing, but the role of the African is almost entirely that of the petty trader. I find myself unable to believe that the volume of business transacted by the few African firms which are conducted on modern business lines is sufficient to justify the creation of a 'national' bank primarily for Africans.<sup>54</sup>

Paton recommended instead the promotion of co-operative societies, arguing that

In a primitive country any system of rural credit must be informal and on the spot. It is my firm view that in the Gold Coast, the co-operative society is the best agency for the financing of the individual farmer ... the real need of the Gold Coast farmer at present is education in thrift and the proper use of credit. Viewed in this light, co-operation is again the ideal answer to the problem.<sup>55</sup>

His recommendations were not novel. The Gold Coast had a long history of investigations into the problems of agricultural credit and indebtedness. In 1918, for instance, the Chiefs of the old eastern province asked for the establishment of an agricultural bank. It was, however, felt by the local colonial government that co-operative societies should come first, with consideration of the need for additional machinery for credit and debt relief deferred until co-operative credit systems had begun to operate.<sup>56</sup> The matter was again raised in 1925 but to no effect.<sup>57</sup> A decade

<sup>51</sup> BoE, OV69/1, Powell to Boss, 20 Aug. 1948, f. 166, p. 1.

<sup>52</sup> His terms of reference were 'With reference to your visit to the Gold Coast to study banking conditions, I am directed by the Governor to request you to submit a report on the manner in which you consider banking can most satisfactorily be developed and controlled in the Gold Coast, with particular reference to the following: (i) the provision of credit for agriculture, (ii) the creation of a state aided bank, (iii) the development of the Gold Coast Cooperative bank, (iv) the desirability of enacting a Banking Ordinance and (v) the relief of existing indebtedness. As regards (i), I am to explain that the Government is committed to the establishment of an Agricultural bank and would be grateful for advice as to how it should be constituted': *ibid.*, Acting Colonial Secretary to Paton, 5 Nov. 1948, f. 175a.

<sup>53</sup> Paton Report, p. 8.

<sup>54</sup> *ibid.*

<sup>55</sup> *ibid.*, p. 5.

<sup>56</sup> See BoE, OV69/1, Acting Colonial Secretary to Chief Commissioners, 10 Nov. 1949, f. 192a, p. 1.

<sup>57</sup> *ibid.*

later, Professor Shephard reached similar conclusions after an extensive study of the economies of peasant agriculture in the colony. In 1938, the Noel commission recommended the extension of the credit co-operative system because it 'would be of enormous benefit to the farming community'.<sup>58</sup>

Expert opinions were not unanimous with alternative views proffered by other interested parties. For instance, the acting Colonial Secretary for the Gold Coast, noted that:

whilst it has for long been – and continues to be – Government's policy to encourage the emergence and growth of co-operative societies conducting all forms of co-operative business ... it is questionable whether it is right to confine credit facilities to the single channel of co-operative societies.<sup>59</sup>

He further argued that

co-operative societies providing credit facilities do not yet cover all parts of the Gold Coast and are in many cases severely limited in the extent of the credit which they can offer. In the nature of the case the extension of co-operation cannot be forced beyond the pace at which members of co-operative societies can themselves travel and this would imply that credit facilities must remain limited for a period of uncertain length. Whilst the danger of competition against – and thwarting the growth of – systems of co-operative credits must be jealously guarded against, there is a case for supplementing such systems at least until co-operation is practically universal and considerably more mature than at present.<sup>60</sup>

Furthermore, it was not then uncommon for agricultural-based economies to develop agriculture-based credits. For instance, the UN Economic and Social Council Report on banking facilities in El Salvador noted that 'As the whole economy in this country is based on agriculture all credit operations have in fact an agricultural basis.'<sup>61</sup> Gold Coast was an agriculture economy<sup>62</sup> and its government's decision to establish an agricultural bank was evidently based on the need to develop a credit system relevant to the needs of the majority of Africans.

Despite Paton being specifically asked to advise on how an agricultural bank should be constituted since the government was committed to its establishment, he refused to comply. Instead, he recommended a commercial bank.<sup>63</sup> Not

<sup>58</sup> Paton Report, p. 5.

<sup>59</sup> See BoE, OV69/1, Acting Colonial Secretary to Chief Commissioners, 10 Nov. 1949, f. 192a, p. 2.

<sup>60</sup> *ibid.*

<sup>61</sup> Quoted in *Gold Coast Legislative Council Debates*, 8 Oct. 1952, p. 227.

<sup>62</sup> The Trevor Report, paras 12–14, noted that 'The Gold Coast as a whole is a producer of primary commodities for export and by far the most important of these is cocoa which in 1950 constituted about 70% by value of total exports ... The major part of the population is self employed in subsistence farming and in trading.'

<sup>63</sup> Paton Report, para. 10. It, however, acknowledged that 'On grounds of political expediency, Government may decide to establish a state-aided bank.' If that happened, the report advised that such a bank should be started on an experimental basis with one office only. Paton recommended that its authorised capital be £0.5m., of which £0.1m. was to be fully paid-up. Government, he advised, should retain control by subscribing to 50,001 shares (paras 14–15).

surprisingly, the local colonial government disagreed with the Paton report.<sup>64</sup> However, possibly because of its subordination to the Colonial Office, it could do nothing but grudgingly adopt London's position. Admittedly, the Paton report was not all pro-convention. It acknowledged a defect in the 1906 Companies Ordinance, described as clearly out of date in many respects. His recommendation that Section 5 be amended to allow locally registered companies to undertake banking in the territory was subsequently put into law.<sup>65</sup>

## V

Despite the Paton report's adverse posture on the national bank question, the issue was not laid to rest. Danquah continued to champion the cause and, on 9 December 1949, his motion in the Legislative Council that a Select Committee be appointed to investigate the establishment of such a bank for the colony was adopted.<sup>66</sup>

The committee, dominated by Africans,<sup>67</sup> met four times between March 1950 and January 1951. Its minutes show that the discussions were wide-ranging, including the possibility of establishing building societies, an agricultural loans board and a commercial development organisation for providing long-term assistance to traders.<sup>68</sup> According to the Colonial Financial Secretary, who chaired two meetings

This range of discussions was permitted deliberately in order that we could find out what was actually in the minds of members of the Committee and give them a chance of discovering how very complex the whole subject of banking is.<sup>69</sup>

The strategy of the local colonial government yielded the desired result. At their final meeting, members unanimously agreed that the subject was too complicated

<sup>64</sup> 'It will be seen that Government has not accepted Mr. Paton's recommendation that the decision to establish an agricultural bank (or loans board) should be reconsidered. In adhering to its decision in this matter, Government has taken account of the legislation and experience in this subject in other countries such as Cyprus and Zanzibar': BoE, OV69/2, Acting Colonial Secretary of the Gold Coast Colony to Chief Commissioners, 10 Nov. 1949, f. 192a.

<sup>65</sup> See Gold Coast Companies Amendment Ordinance No. 36, 1950. It also included provisions for some control of the banks in the territory. This was ostensibly to ward off the emergence of 'mushroom' banks which were then gaining notoriety in neighbouring Nigeria. Controls enshrined in the Ordinance included: (i) the incorporation of a company with the object of carrying on banking business should not be permitted without adequate paid up capital; (ii) nobody other than a company authorised to carry on banking business should use the word 'bank' in the name under which he is carrying on business; and (iii) every bank should exhibit and publish a copy of its latest audited balance sheet.

<sup>66</sup> The committee's terms of reference were: 'That in the opinion of this Council, the time has arrived for a Select Committee to be appointed to investigate the establishment of a National Bank for the Gold Coast, and to submit appropriate recommendations for consideration by Council.'

<sup>67</sup> Members were: R. P. Armitage MBE, I. K. Agyeman, E. E. Dadzie, J. B. Danquah, P. H. FitzGerald OBE, Nene Azzu Mate Kole, P. V. Nanka Bruce OBE and E. O. Asafu Adjaye.

<sup>68</sup> See BoE, OV69/1, minutes of Committee meetings, 27 Mar. 1950, f. 203a; 31 May 1950, f. 204a; 29 Jul. 1950, f. 205a; and 4 Jan. 1951, f. 206a.

<sup>69</sup> *ibid.*, Armitage to Gorsuch, 16 Jan. 1951, f. 206b.

for a decision to be made. In fact, it was Danquah who proposed that an expert be engaged to advise on the form of banking that should be established.<sup>70</sup>

The local colonial authorities appeared pleased with this development, the Financial Secretary noting that

Taking the present position into consideration, there is very little left that we think is practicable because we cannot see that anyone is likely to advise on the establishment of a National Bank merely to undertake the activities of a Commercial Bank, and therefore be in competition with the existing two banks, nor can the Gold Coast have yet reached the stage of requiring a Reserve Bank.<sup>71</sup>

He concluded that 'By the time that further investigations have been made of the need for financing African traders I do not believe that there will be any very substantial demands revealed.'<sup>72</sup>

The Select Committee's recommendations were adopted by the Legislative Council, and a request was made to the Bank of England via the Colonial Office to provide the expert. From the outset, both the Bank and the Colonial Office were in agreement that the investigation was a fruitless exercise. In a Bank internal memo it was noted that

The Colonial Office think they must give 'advice and help': but the enquiry would be mainly educational and likely to lead to little. Quite a good report has already been made, in 1948, by G. D. Paton: but this is already forgotten.<sup>73</sup>

Some prominent bankers were then shortlisted by the Bank,<sup>74</sup> with an official noting that

These may look too good for such a fruitless enterprise; but if any influence can be exerted to stop the Africans doing something foolish, the best hope is to send someone who looks pretty responsible.<sup>75</sup>

Sir Cecil Trevor, the Colonial Office's preferred choice, was finally put forward to the local government in the Gold Coast. The Bank ensured that their man, S. W. Payton, assisted Trevor, his duty being to carry out 'all the necessary devilling'.<sup>76</sup>

<sup>70</sup> *ibid.*, p. 2.

<sup>71</sup> *ibid.*

<sup>72</sup> *ibid.*, p. 3.

<sup>73</sup> *ibid.*, Internal memo, 2 Apr. 1951, f. 216. At the time these were not unusual Colonial government tactics. Early attempts to establish a central bank in Nigeria were stifled with such questionable methods. See C. U. Uche, 'Bank of England vs the IBRD: did the Nigerian colony deserve a central bank?', *Explorations in Economic History*, 34 (1997).

<sup>74</sup> The names suggested were: Sir Cecil Trevor (formerly Deputy Governor of the Reserve Bank of India), A. Poole (formerly Deputy Managing Director, Imperial Bank of India), C. N. Nixon (National Bank of Egypt) and G. L. Webster (formerly Joint General Manager, Clydesdale and North of Scotland Bank).

<sup>75</sup> *ibid.*

<sup>76</sup> BoE, OV 69/2, Bernard to Poynton, 10 Apr. 1951, f. 220.

## VI

Trevor's mandate, spelt out in a letter from the Under-Secretary of State, Colonial Office, requested him

to undertake on behalf of the Gold Coast Government an enquiry into banking in the Gold Coast with the following terms of reference – 'To examine the whole field of banking in the Gold Coast and in particular to examine the question of setting up a National Bank on commercial lines to finance development projects and to act as a reserve bank.'<sup>77</sup>

By the time the Trevor team arrived, local expectations that a recommendation for a national bank would be made were rife. As noted by Payton

The 'National Bank' has been given wide publicity here as a major political issue. The comic press regards the result of the enquiry as a foregone conclusion and is speculating only on the form which the new bank will take. No body knows what a National Bank is but it makes a good catchword.<sup>78</sup>

There was little doubt that most Africans had no clear comprehension of what the 'national bank', for which they were clamouring, actually meant.<sup>79</sup> All they knew was that they wanted a bank that would provide them capital for much needed development. But the availability of capital does not always lead to sustainable development. In his report on 'Industrialisation and the Gold Coast', Professor Lewis argued that African entrepreneurship was deficient in technical knowledge, managerial capacity and capital. Of the three, managerial capacity was the most difficult to remedy. He then noted that

It is a common error, in underdeveloped countries, to believe that entrepreneurship requires mainly technical knowledge and capital. The truth is to the reverse. If people really have managerial capacity, they will in most cases be able to find technical knowledge and capital to work with. What makes a business successful is the efficiency of its management, for giving this all else will follow.

Lewis concluded that 'African enterprise cannot be built up simply by lending Africans money. To lend money to entrepreneurs who lack managerial capacity is merely to throw it down the drain.'<sup>80</sup>

Despite all the alleged inadequacies of Africans, at least by British banking standards, it did not take the Trevor team long to fall into sympathy with their aims and objectives, thereby implicitly casting aspersions on the Bank of England's orthodox approach. For instance, Payton, Trevor's assistant, wrote of their task:

<sup>77</sup> Quoted in Trevor Report, para. 1.

<sup>78</sup> BoE, OV69/2, Payton to Powell, 1 Jun. 1951, f. 1.

<sup>79</sup> Payton once noted that 'the term "National Bank" has been used indiscriminately to cover the need for development finance ... The average African thinks that all that is necessary for development is a great deal of money and the rest will follow automatically': *ibid.*, Payton to O'Brien, 7 Jul. 1951, f. 3.

<sup>80</sup> Quoted in Cox-George Report, p. 1.

This is not just a question of looking at the facts to decide whether a National Bank is necessary but rather of conducting a comprehensive examination of conditions both economic and political to see what really is required to help the Colony. Somehow the place makes one feel like that. The whole of Accra has a bustle of activity about it. New buildings are going up everywhere. The overseas visitor gets the impression that things are moving and that he should do something to help.<sup>81</sup>

He concluded that

both Sir Cecil and I feel that in spite of our extraordinary terms of reference there is a useful job we can do here. Our report will have to be both comprehensive and instructive as well as constructive and there are already signs that we shall be able to make some useful recommendations.<sup>82</sup>

It was against this background that the Trevor team parted ways with the expectations of the Colonial Office and the Bank of England to recommend

the formation of a semi-government Bank to be conducted on commercial lines to meet the present needs of the country as a whole and to provide a nucleus from which a more powerful and comprehensive institution may develop for the future advancement of the country.<sup>83</sup>

This did not go down well with the Bank of England. Before submitting his report, Trevor was invited to the Bank where a senior official informed him of misgivings over his recommendations. Trevor's only reply was that the Gold Coast authorities were determined to have a national bank, and he had given them what they wanted along all the safeguards he could conceive.<sup>84</sup> Regarding possible amendments, Trevor made it clear that he had already committed himself to the Gold Coast government and was, therefore, unable to change his direction radically. As it dawned on the Bank that the recommendation for establishing a national bank had come to stay, Grafftey Smith concluded that 'This mission sounds as though it had gone seriously wrong.'<sup>85</sup> Another Bank official described it as 'a sad outcome of what looked like a promising departure'.<sup>86</sup>

<sup>81</sup> BoE, OV69/2, Payton to Powell, 1 Jun. 1951, f. 1.

<sup>82</sup> *ibid.*

<sup>83</sup> Para. 153. This recommendation was arrived at after having: (i) said that he found no appreciable weight of evidence in support of the contention that the existing banks favoured the European, Levantine and Asiatic communities to the detriment of the Africans (para. 103); (ii) criticised the shortcomings of the commercial banks, describing them as 'extremely conservative' (paras 122–4); (iii) stated that in theory the financial requirements of the country were adequately provided for by existing institutions (para. 33); (iv) stated that what was required was a nucleus of an institution which would grow and extend, assuming more and more functions as the country's general economy developed, making its contribution at every stage, but not using up more vital resources of men and material that could be spared (para. 100); and (v) found no further need to cater for the agriculturalist (para. 116–18). For a detailed critique of the Trevor Report, see Rowan, 'Banking adaptation in the Gold Coast'.

<sup>84</sup> For instance, pressures from the Bank of England made him include, in para. 155 of his report, a warning on the dangers inherent in any expansion of unproductive credit: BoE, OV69/1, Payton to O'Brien, 21 Aug. 1951, f. 11.

<sup>85</sup> *ibid.*, Internal memo, 16 Aug. 1951, f. 9.

<sup>86</sup> *ibid.*

Though Trevor owed no allegiance to the Bank, the same may not be said of his assistant, Payton. Remarkably, Payton defended the report's recommendations, arguing that it 'as a whole represents a considerable scaling down of demands made by responsible Africans'.<sup>87</sup> He advised that the report should be interpreted in the context of the rapid political changes taking place within the Gold Coast.<sup>88</sup>

Despite all the Bank's protests, the bank recommended by the Trevor Report was very similar to existing commercial banks. The only special apparatus it embodied, to assist Africans who lacked both capital and security, was the introduction of accommodation bills.<sup>89</sup> The concept of accommodation bills was based on the assumption that there were Africans with substantial businesses who would be in a position to finance smaller traders. In summary, what Trevor put forward was that accommodation bills, in the form of promissory notes, could be drawn by traders at a usance to cover their seasonal needs, and endorsed by parties of greater creditworthiness, who could discount them with the commercial banks at a reasonable rate. The possibility that the accommodation party would pass on the proceeds at a high rate of interest to the drawer could be overcome by the different classes of borrowers forming themselves into legally constituted associations, which would endorse and discount bills for members. A Bank official detected two possible problems. First, there was no guarantee that Africans with substantial businesses would be willing to finance smaller traders. Second, there was also no guarantee that any association formed by borrowers would enjoy better credit than its individual members.<sup>90</sup> Payton, however, defended the recommendation on the grounds that it was the better of two evils.<sup>91</sup>

<sup>87</sup> *ibid.*, Payton to Jackson, 23 Aug. 1951, f. 12.

<sup>88</sup> *ibid.*

<sup>89</sup> According to the Trevor Report, para. 152, 'Accommodation bills could be drawn by traders, retail shopkeepers and craftsmen at a usance to cover their seasonal needs and endorsed by billbrokers or parties of greater credit worthiness who would discount them with the commercial banks at a reasonable rate. This would of course necessitate the banks building up a careful information service to enable them to estimate and fix limits on borrowing, both for the drawers and endorsers of the bills. The objection has been raised that in the present stage of economic development of the country, while the endorsers would be able to discount the bills with the banks at a reasonable rate, they should pass on the proceeds to the drawer at an usurious rate. This may prove to be a valid objection, but one which could easily be overcome by the different classes of borrowers forming themselves into legally constituted associations which would take to themselves the power to endorse and discount bills of exchange on behalf of their members. In this way, a reasonable rate of discount to the borrower could be ensured, the excessive rates charged by endorsers could be curbed and the foundations laid for the building up of a bill market.' Another recommendation, para. 142, was that government grant interest-free loans to co-operative societies. This did not directly relate to the bank in question and is therefore beyond the scope of this study.

<sup>90</sup> BoE, OV69/1, Parsons to Parker, 10 Aug. 1951, f. 6.

<sup>91</sup> He argued that the accommodation bill was to have the same effect as a guarantee, and was intended to assist some of the more promising traders and craftsmen. He then concluded that 'The alternatives may therefore be summarised as doing nothing for the African at all or trying to devise some legitimate means whereby he may obtain a limited amount of credit, even if it involves a degree of risk: *ibid.*, Payton to O'Brien, 21 Aug. 1951, f. 11.

Not surprisingly, the 1952 legislation establishing Bank of the Gold Coast was silent on the concept of accommodation bills. The view of the Bank of England had prevailed. Africans who were mainly interested in a bank that would provide them with development capital felt disappointed. It was therefore not surprising that the bank's creation was opposed, albeit unsuccessfully, in the Gold Coast Legislative Assembly by Ofori Atta. He argued that:

This is not that Bank and it will never prepare the way even for the establishment of any other Bank which could meet the aspirations of the people of this country ... I would look forward to the time when it would be possible for the Gold Coast to have a Bank of its own which will break its economic shackles.<sup>92</sup>

Even the bank's first managing director, Eggleston, was aware that his emergent institution could not meet Africans' demands, and made his views known, perhaps not publicly, to this effect.<sup>93</sup>

## VII

The debate over Africans' economic rights and privileges, and the attendant duties of foreign establishments, in pre-independence colonies has remained a contentious issue with no sign of reconciliation in sight. It has not been this article's intention to dabble in these troubled waters, at least not directly. Instead, it has attempted to reconstruct how the Colonial Office, with the assistance of the Bank of England, perverted the demand by Africans in the Gold Coast for a special kind of bank to aid their development. The Colonial Office preferred and ensured the establishment of an orthodox institution, which had little to give with regard to Africans' demand for developmental credit. This was because the Colonial Office and the Bank of England believed that such development institutions would be unhelpful to, arguably, uncreditworthy Africans. Despite the beliefs of the Colonial Government and the Bank of England, their actions represented a setback to the Gold Coast's development. Either such an institution, as demanded by Africans, would have helped the colony's advance, or Africans would have learnt earlier that the concept of development was more fundamental than setting up a 'national bank'.

<sup>92</sup> Gold Coast Legislative Assembly Debates, 8 Oct. 1952 (Accra), pp. 229–30.

<sup>93</sup> BoE, OV69/3, Memo, 10 Sep. 1954, f. 35.