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Indigenous Financial Management Practices in Africa: A Guide for Educators and Practitioners

Patrick Ojera

Abstract

The purpose of this chapter is to identify African financial management practices, highlight their origin and explain how they differ from their Western counterparts. The study identified indigenous African financial practices using literature review, archival sources and library research covering the five areas of Africa comprising Northern Africa, Eastern Africa, Central Africa Western Africa and Southern Africa. The study found out that pre-colonial indigenous African financial management features prevalent use of trade finance, trade credit management, investment management and accounting. While there is also evidence of modification of Western financial management practices to suit African contexts, it is on the whole scarce. This is suggestive of the fact that they were in existence in the first instance. The clear conclusion is that many indigenous African financial management practices pre-dated and foreshadowed their Western counterparts. Yet, it is confounding that this has been largely lost sight of, and both scholars and financial management practitioners depict the former as inferior. There is clearly a need to remedy this situation. Educators need to focus on incorporating ethno-finance concepts into the entire curricula chain from basic to higher education. The anchor point for such curricula is Ubuntu philosophy. Financial management practitioners, on their part, need to shed notions that the indigenous practices are inferior and seek to journalise their day-to-day work experiences to build a body of documented practice.

Keywords: Indigenous; Africa; financial management; pre-colonial; post-colonial; Ubuntu

Introduction

Africa has been variously described as the ‘land of the future’ (Olugbenga & Karuri-Sebina, 2011), ‘The new frontier for growth’ and ‘A continent for commerce’ (Accenture, 2010). It has become the preferred destination for Foreign Direct Investment (FDI) (Ernst & Young, 2011). Despite this promise, Africa presently exemplifies the single most impoverished continent. According to NEPAD (2002), 80% of the continent’s poor live in rural areas. Most studies undertaken to uncover the specific problems bedeviling the continent have focused on the broader aspects of macroeconomics and social environments. The studies that have investigated aspects of business-level financial management have dwelt on firms at the financial security exchanges, the minority business units in the continent. Moreover, such firms follow financial management practices patterned after Western models and which, consequently, may have little relevance to African contexts. Following arguments that indigenous management practices are crucial to the growth of firms in Africa (Amaeshi, Jackson, & Yavuz, 2008; Iguisi, 2008; Kanungo & Jaeger, 1990), scholars, for example Bray and Els (2007), advance the notion of ‘ethno-finance’ or ‘indigenous’ finance as a basis for indigenous financial management practices in Africa. While it is pointless to deny that the globalisation phenomena of which Africa is inextricably linked, it is nevertheless not appropriate to transplant Western practices (Mbigi, 1997). For institutional financial managers, the challenge is to appreciate and embrace indigenous values for a competitive advantage over those rivals who do not. Despite the increased attention on indigenous management, little is known about the processes and practices of indigenous financial management of African firms.

The purpose of this chapter is to identify individual African financial management practices, highlight their origin and explain how they differ from Western counterparts. The premise of the study is that financial management behaviours depend on contexts in which they are practised (Ardalan, 2004; Hofstede, 2001). The study will focus on the five regions comprising Northern Africa, Eastern Africa, Central Africa, Western Africa and Southern Africa (Wikipedia, 2017). The methodology of this chapter is based on literature review, extracting from archival sources and library research. The chapter is organised into seven interrelated sections including this introduction, followed by a section on the concept and practices of financial management in general. The next section will review the relevant indigenous financial management practices, exploring their origin, cultural characteristics and unique differences from Western models. Examples and anecdotal evidence of practices covering the five sub-regions of Africa will be discussed next. Section on the key challenges and advice for managers and educators will be followed by a section that seeks to delineate an overall chapter framework or model. The final section concludes the chapter and also looks ahead to suggest some directions for future research.

The Concept and Practices of Financial Management

Kuchal (1982) posits a succinct definition of financial management as dealing with the procurement of funds and their effective utilisation in the business. According to Meredith (1986), financial management practices emanate from the interactions among objectives, decisions and specific areas of financial management. Financial management objectives relate to liquidity, profitability and growth with the goal of maximising firm value. Concomitant decisions include investment decisions, financing decisions and profit distribution decisions. A survey of extant literature (Brealey, Myers, & Allen, 2013; Brigham & Gapenski, 1997; Gitman, 2010; Hunjra, Khan Niazi, Akbar, & Ur Rehman, 2011; Meredith, 1986) depicts the following broad financial management practices: Accounting information system practices, financial reporting and analysis practices, working capital management practices, financial or capital structure management practices, financial planning and control practices, fixed asset management practices and financial advice practices. These are further elucidated as follows.

- **Accounting information systems:** Covers the nature and purpose of financial records, bookkeeping, cost accounting and use of computers in financial record keeping and financial management.
- **Financial reporting and analysis:** Relates to the nature, frequency and purpose of financial reporting, auditing, analysis and interpretation of financial performance.
- **Working capital management:** Involves the management of all aspects of both current assets and current liabilities to minimise the risk of insolvency while maximising the return on assets. It includes trade credit used for working capital requirements, for example to purchase raw materials. It may also involve factoring of debtors.
- **Financial or capital structure management:** Involves consideration of financial and non-financial factors influencing financial leverage or gearing, accounting to lenders, uses of funding and profit distribution such as the dividend decision.
- **Financial planning and control:** Financial objectives and targets, cost-volume-profit analysis, pricing, budgeting and control and management responsibility centres.
- **Fixed asset management practices:** Involves consideration of non-financial and financial considerations in asset acquisition, capital project evaluation, investment hurdle rate determination and handling risk and uncertainty. Also involves reviewing the efficiency of utilising fixed assets after acquisitions. These may entail keeping fixed assets registers and making provision for wear and tear.
- **Financial advice:** Covers internal and external sources and types of financial advice and use of public accounting services.
- **Bookkeeping and Accounting:** These have been hailed as the cornerstone of financial reporting on which financial management is inextricably dependent. Some scholars view financial management to be a subset of the accounting field (Jager & Frick, 2016).

The purpose of this study is not to cover all the facets of financial management practices as delineated. Rather, while anchoring on [Kuchal \(1982\)](#) basic definition of financial management as dealing with the twin issues of efficient procurement and utilisation of funds, the wider framework by [Meredith \(1986\)](#) will facilitate comparison of unique indigenous African financial management practices. Two tasks are envisaged: first, identification of pre-colonial indigenous financial management practices. Second, how these indigenous practices have been modified in post-colonial and modern contexts.

Relevant Indigenous African Financial Management Practices: Their Origin, Cultural Characteristics and Unique Differences from Western Models

The term ‘indigenous’ can be an elusive concept. [Loubser \(2005\)](#) describes ‘indigenous’ as being communities that inhabit the country at the time of conquest or colonisation. Within the context of South Africa, [Loubser \(2005\)](#) elaborates that an indigenous knowledge system is a body of knowledge embedded in African philosophical thinking and social practices that have evolved over thousands of years and are inclusive of all cultural groups within the area of interest. [Oghojafor, Alaneme, and Kuye \(2013\)](#) assert that from early human history, African people had their own management philosophies and practices exemplified by such epochal undertakings as the engineering of the pyramids in the second millennia and civilisations reflected in the Songhai and Mali Empires, among others ([Inyang, 2008](#)). The early accounting scholar Littleton (in [Frag, 2009](#)) lists seven antecedents of double-entry bookkeeping, the cornerstone of early record keeping and modern financial reporting which were all apparent in ancient Egypt.

These are the art of writing, arithmetic, private property, monetary economy, credit, commerce and capital. [Frag \(2009\)](#) asserts that while accounting, as it is currently known, only began to take shape in the fourteenth century in Italy, ancient Egyptians developed a system of basic accounting as early as 3200–3000 B.C. in Pharaonic Egypt. In support, [Stiansen and Guyer \(1999\)](#) state that it is a misconception of the twentieth-century development aid financial institutions to imply that micro-level financial management did not exist when pre-colonial history in both West and East Africa have demonstrated how trade for hundreds of years constituted a fundamental feature of the social fabric, replete with regional market systems and indigenous currencies. In short, monetisation of the economy had begun before European contact ([Adebayo, 1994](#)).

[Turyahikayo-Rugyema \(1976\)](#) asserts that in the pre-colonial African market, the basic production system was not affected by the price mechanism as articulated by economists but, rather, by other values embedded in the social structure. The incentive to increase the production of a particular commodity was mostly dictated by prestige, redistribution and gift exchange within the society. [Hodder \(1965\)](#) advanced a theory on the origin of markets in Africa as evolutionary from barter,

through a monetized exchange phase to commercialisation propelled by engagement in long-distance trade nineteenth-century trade in the nineteenth century. [Stiansen and Guyer \(1999\)](#) assert that these indigenous African production and trade systems featured the use of currency, trade finance and trade credit, accumulation of wealth or investment and redistribution of surpluses. These indigenous financial management practices foreshadow those claimed to be emanating from Western context. The difference could be a matter of contextual settings.

A central point in highlighting the distinction between indigenous African financial management practices and their Western counterparts relate to the unit of analysis. Whereas financial management in Western contexts is largely predicated on the business firm as the production or allocative unit with its separate entity and agency theory undertones ([Ardalan, 2004](#)), the indigenous African context is different. The indigenous African production units coalesced around family work, community work and kingdom work with no cash nexus involved ([Eze, 1995](#)). The concept of the market was pivotal in this social fabric and a possible pointer to gleaming indigenous financial management practices.

From the foregoing, several features contrast the pre-colonialist indigenous African business enterprise from its Western counterpart. First, indigenous business enterprises in pre-colonial Africa were informal, coalescing around the community or kingdom/chieftainship. In contrast, the Western entities featured formal institutions founded on rational-analytic economic decision frameworks, steeped in the assumption of efficient markets and corporate scenarios ([Ardalan, 2004](#)), whose major tenet is the business firm built on the separate-entity principle. Second, the typical corporation objective is wealth maximisation which may be pursued in an exploitative freewheeling corporate culture while indigenous businesses focused on communal or kingdom welfare.

Third, Western practices are codified whilst traditional African philosophy, including ethno-finance, are not documented but mostly orally transmitted from one generation to the next through storytelling and direct interaction within local communities ([Afro-Centric Alliance, 2001](#)). The most prominent of these African philosophies is 'Ubuntu', a concept originating in the Bantu language of South Africa but whose tenets resonate with daily life throughout Africa ([Mangaliso, 2001](#)) and dating back to ancient Egypt as *Ma'at* in the third millennium BCE ([Gibson, 2016](#)). The expression of a person as a person through persons is 'common to all African languages and traditional cultures' ([Shutte, 1993](#), p. 46). While originating in the pre-colonial era, it also forms the basis of the emergent concept of 'African Management' ([West, 2014](#)).

Turning to the post-colonial context and contemporary modern financial management, researchers have highlighted several characteristics that differentiate the African financial management operating environment from that of Western contexts. Capital markets in Sub Saharan Africa (SSA) are regarded as inefficient, thin, small with hardly any long-term securities traded ([Aryeetey & Machiko Nissanke, 2003](#); [Mutenheri, 2003](#)). The growth of these capital markets are hampered by weak legal regulations, low levels of investor protection and low-information availability, creating information asymmetry between financial managers and shareholders

(Uyar & Kuzey, 2014). In any case, these capital markets lock out the small unlisted family-owned and managed firms, the predominant business in Africa. In Ghana, for example, they account for about 80% of all employment in the corporate sector (Yartey, 2011).

The issues combine to make lack of access to finance the greatest challenge for businesses in Africa (Afrikstart, 2016). In African countries, it is not mandatory for Small and Medium-sized Enterprises (SMEs) to keep financial records (Amoako, 2013). Littleton (in Farag, 2009) lists bookkeeping as a key antecedent financial reporting and financial management. Ominously, Potts (1977) maintained that the clearest and most startling distinction between successful and failed small businesses lies in their approach to the generation and utilisation of accounting information. In contrast, adoption of accounting standards is a key feature of financial reporting for capital markets in Western contexts (Baudot, 2014). However, some scholars have urged caution in wholesale adoption of accounting standards from former colonial powers without regard to African contexts (Hopper, Lassou, & Soobaroyen, 2016; Larson, 1993; Wallace, 1990).

The question begs, how have the pre-colonial elements of indigenous financial management practices reported by scholars, for example, Littleton (in Farag, 2009) and Stiansen and Guyer (1999) fared in light of colonial and post-colonial pressures? According to (Eze, 1995, pp. 136–137), the arrival of colonialism in Africa in the nineteenth century disrupted the people's cultural beliefs and traditions, and thus 'triggered the beginning of what may be called "colonized African management"'. Oghojafor et al.'s (2013) resilience, legitimacy and relevance of African management philosophies and practices enabled them to survive a very tortuous past-slavery, colonialism, brutal economic exploitation and attempted cultural annihilation. Trade finance and trade credit, accumulation of wealth or investment and redistribution of surpluses continue to feature modern financial practices though heavily tinged with Western rational–analytic paradigms.

Some response to lack of finance for small business retain echoes of Ubuntu philosophy, anchored in indigenous African solidarity practices. The community-based financial institutions and the phenomena of crowdfunding (Afrikstart, 2016) and bootstrap financing of entrepreneurial venture start-ups (Dolan, 2016) are examples. According to Aryeetey and Udry (1997), the informal community-based financial institutions are user-owned and managed and are often called by different nomenclature across Africa: *Harambees* in Kenya, *Chama* (Kenya and Tanzania), *Esusu* or *Ajo* (Yoruba), *Isusu* or *Utu* (Igbo), *Osusu* (Edo), *Etibe* (Ibibio), *Adashi* (Hausa), *Dashi* (Nupe), *Oku* (Kalabari) in Nigeria, *Susu* in Ghana, *Tortine* in Benin and Niger, *Dajanggi* in Cameroon, *Gamiayah* in Egypt, *Chilemba* in Uganda and Cameroon, *Chilimba* (Zambia), *Chilemba* (Uganda), *Chiperegani* (Malawi), *Ungalebo/Stokvel* (South Africa), and *Xitiques* (Mozambique).

Afrikstart (2016) argues that pooling funds from a large number of people to support various initiatives is rooted in Ubuntu philosophy. What is new, however, is mounting of the process on the internet platform. Bootstrap, a business funding source that cuts across cultures, both Western and African contexts, is defined by Harrison, Mason, and Girling (2004, p. 308) as, 'imaginative and parsimonious

strategies for marshalling and gaining control of resources'. It emphasises personal initiative and ingenuity as well as both the non-reliance on conventional sources of finance and ways of minimising the need for finance in the first place.

The next section will highlight examples and anecdotal evidence of indigenous financial practices covering the five sub-regions of Africa. Two tasks are envisaged: first, identification of pre-colonial indigenous financial management practices. Second, how these indigenous practices have been modified in post-colonial and modern contexts.

Examples and Anecdotal Evidence of Practices Covering the Five Sub-Regions of Africa

Northern Africa

Countries: Algeria, Egypt, Libya, Morocco, Sudan, Tunisia, Western Sahara. Most northern countries experienced a centralised political system based on chieftaincy in the pre-colonial era [Dia \(1996\)](#). While the region is distinctly Islamic, in the nineteenth century, Northern African experienced the colonial presence of France, the United Kingdom, Spain and Italy ([Jamil, 1987](#)). Their modern financial management practices would generally be patterned after their former colonialists. [Deegan \(2014\)](#) has cautioned that many Western accounting practices draw upon assumptions which conflict with the tenets of Islam, for example, use of interest rates, present values or accounting for leases. In addition, Islam, like Ubuntu philosophy, emphasises the importance of 'community obligations' rather than the individual's self-interest which conflicts with Western cultural values that score highly on individualism ([Gray, 1988](#); [Hofstede, 2001](#)).

Pre-colonial indigenous financial practices in the Northern African region would be anchored in Islamic culture, which provides an explicit manual for business conduct. [Hunwick \(in Stiansen & Guyer, 1999\)](#) asserts the often-repeated symbiotic relationship between Islam and trade. [Hunwick \(in Stiansen & Guyer, 1999\)](#) illuminates on the major commercial features of trade finance whose major stakeholders were chieftains, families and individual traders. They posit that limited liability concept was a prominent feature in which, in order to raise money or provide goods for a commercial venture particular in long-distance trade, a partnership in profit only would ensure. This entailed a fiduciary relationship in which one partner supplied the capital or goods, shared in the profits and bore any losses. The other partner would do the actual work of commerce, travelling if necessary and selling the goods at the best profit. Significantly, the latter would share in the profits but not losses. The provider of initial capital could not stipulate a sum of money to be repaid and could only share in the profit accruing from the venture. The trader, in turn, would leave all or some of goods in the trust of a third party (host/landlord) to store on his behalf, or to sell.

Notably, to this day, profit-sharing is the basic principle in the operations of Islamic finance and banking. They are investment banks, and investors may earn a profit on their investment or may lose money on it. The foundation of this long-distance trade finance, evidenced in merchant archives of Timbuktu, was liability and trust. Webb (in [Stiansen & Guyer, 1999](#)) asserts that the advance of trade goods against the promise of future repayment was a staple of Western Sahelian commerce. Known as *mudaaf*, these credit arrangements were commonplace, flexible, unwritten, with varied forms of collateral. Among the pastoral nomads of the Western Sahel, livestock often served as collateral. The credit practices were encouraged by the uncertain timing of the arrival of caravans and maritime transport. Credit agreements were made in public, in the presence of at least two witnesses and two other individuals who stood surety in the event of non-payment. Fall-back collateral for these loans was the slaves of the Afro-European inhabitants. Vestiges of credit control practices involved due diligence work into the circumstances of the buyer.

Foreshadowing of modern real estate finance, another mode of acquiring and disposition property and fixed assets was through the two indigenous financial institutions in the private domain, *the waqf* or (charitable endowment) and the highly regulated inheritance procedure. The *waqf* typically addressed a block of productive land or a house or store that might be rented to produce income. Inheritance was strictly regulated by the Quran. The archives of nineteenth-century Timbuktu feature such records. Of the Seven Wonders of the Ancient World, the pyramids alone remain ([Tompkins, 1971](#)). While little is known about indigenous financial management skills which were imperative in such an epochal undertaking, Littleton (in [Farang, 2009](#)) lists seven antecedents of double-entry bookkeeping, the cornerstone of early record keeping and modern financial reporting which were all apparent in ancient Egypt.

These are the art of writing, arithmetic, private property, monetary economy, credit, commerce and capital. [Farang \(2009\)](#) asserts that while accounting, as it is currently known, only began to take shape in the fourteenth century in Italy, ancient Egyptians developed a system of basic accounting as early as 3200–3000 B.C. in Pharaonic Egypt. The accounting practices were necessitated by the need to keep track of taxation surplus and ‘royal gifts’ due to the King. Scribes and priests played a role in accounting, auditing redistributed of the surplus through the various levels of the bureaucracy, the temple artisans and the workers who laboured on the various religious and hydraulic projects and the pyramids.

[Lovejoy \(1974\)](#) reports the existence of a vibrant capital exchange market in Central Sudan, catering for trade as far as Hausaland in Nigeria, in the sixteenth century. The scholar asserts that the Caliphate tax structure, by means of large amounts of cowries collected in government treasuries, facilitated a futures market in agricultural produce, particularly grain. One surviving account book which belonged to a Katsina merchant of North African origin establishes that extensive loans were advanced to government officials in the 1840s and earlier. North African and Tuareg merchants also extended credit to craftsmen, particularly leather workers, and hence helped finance manufacturing. An example of credit control practices

is evident in a case the nineteenth century where the head of the Kano leather workers was taken to court to force repayment of a loan. The larger firms in Central Sudan operated branches in many towns, and at least in some instances capital was transferred between locations by means of commercial paper, prefiguring current banking practice. The brokerage firms in Kano, which handled the sale of various salts, provided banking facilities for their clients. Proceeds from the sale were stored in cowries, the reserves providing brokers with the ability to guarantee short-term credit in the transactions. In some instances, too, the firms extended goods on credit to distributors who sold salt in the streets and villages.

Turning to modification of Western financial management practices, Stiansen (in [Stiansen & Guyer, 1999](#)) remarks that Islamic banking, particularly successful in Sudan, depicts conscious efforts at drawing on the Islamic heritage to avoid interest/usury while meeting the needs of contemporary economies. The menu featured a repertoire of techniques developed to enable customers to acquire capital and the banks to invest. These included the *Musharaka*, *Mudaraba* and the *Murabaha*. The *Musharaka* engendered equity participation of partners, usually for a specific period and purpose where profits, or losses, were proportionately shared according to each partner's investment. The *Mudaraba* is an agreement of at least two persons whereby at least one provide finance while the others provide entrepreneurship and management for agreed business ventures. In this arrangement, profits are shared according to a predetermined ratio, but monetary losses are born by the financier alone, making the contract neither a loan nor a partnership. The *Murabaha* is basically a sale agreement whereby the seller, at the request of the buyer, purchases a commodity that is resold at a marked-up price. Provision can be made for settlement in single or phased transactions.

While there are differences between the foregoing indigenous financial techniques and conventional commercial and financial management practices, some similarities are, however, discernible. The *musharaka* operates like the limited liability joint-stock companies while the *Murabaha* is akin to a letter of credit. [Eldomiaty, Choi, and Cheng \(2005\)](#) reported that financial management practices with regard to signalling effects of the determinants of capital structure in Egyptian non-financial industries did not confirm Western theory propositions of the trade-off theory, pecking order theory or free cash flow theory. The scholars attributed this to the fact that Egypt is an example of a transitional market.

The practice of crowdfunding as being concomitant with ancient African Ubuntu philosophy has been alluded to in the previous section. [Afrikstart \(2016\)](#) reports that Egypt, a leading crowdfunding platform in North Africa, raised \$862,000 in 2015. A significant portion of this crowdfunding in Tunisian and Moroccan is received from the Diaspora based in France for the funding of projects in SMEs. According to [Chazi, Soares, and Zanella \(2010\)](#), Islamic law interpretation of interest and usury affect the way firms externally finance their activities through debt and equity. For instance, it is common practice for firms that follow the Islamic law to only common stocks, avoiding preferred stocks with their priority interest obligation. They are deemed as discrimination, which is an anti-Islamic law. Moreover, some firms finance their business ventures with Islamic banks that avoid

charging interest rates for the loans but receive other compensation, such as a partnership interest or obligate themselves in other risk-bearing relationships.

Eastern Africa

The region comprises the following countries: Burundi, Comoros, Djibouti, Eritrea, Ethiopia, Kenya, Madagascar, Malawi, Mauritius, Mayotte, Mozambique, Reunion, Rwanda, Seychelles, Somalia, Tanzania, Uganda, Zambia and Zimbabwe. According to Nazifa (2014), early history was greatly influenced by Bantu and Nilotic migration and Oman Arabs. Between the nineteenth and twentieth century, East Africa became a theatre of competition between the United Kingdom, Germany, Portugal and France. The British Museum features the Kingdom of Aksum (100–940 AD) as a trading empire centred in Eritrea and northern Ethiopia, noted for ivory trade whose rulers facilitated trade by minting their own Aksumite currency (https://www.british-museum.org/pdf/KingdomOfAksum_Presentation). However, little is known about financial management practices to support this vibrant trade.

Alpers (1969) writes that the Yao were the supreme long-distance traders in East Central Africa during the eighteenth and nineteenth centuries, way before contact with Europeans. Elements of pre-colonial indigenous financial practices can be gleaned among the Yao. The clan chief had control of the items of trade and distribution of profits. Stannus (in Alpers, 1969) observes that before the imposition of colonial rule in Malawi, the chief had title to the ground tusk of each elephant which was killed in his territory. The chief also maintained control over the ivory conveyed to the coast as well as the inbound foreign trade good of cloth and beads. Notably, wealth accumulation or investment was for the primary purpose of increasing the population under a chieftain's control according to the maxim that 'a chief without people is nothing.' Buckskin was a prized tribal currency, used to buy slaves from Mangoni country. The male slaves were deployed as labour in farming, building, making baskets and sewing garments. If the opportunity arose, such would be sold at a profit, the proceeds re-invested in procuring more people. To acquire even more people and prestige, the chief would give slave husbands to his unmarried daughters.

In a similar vein, Pallaver (2006) reports that during the pre-colonial period, the Arabs of Tabora were strictly dependent on the financial capital borrowed from Indian and Arab financiers residing on the coast. In contrast, the Nyamwezi traders, the *wandewa* of aristocratic stock, were financially independent and able to finance their business with the coastal areas. Community investment or wealth was, therefore, held among the chieftains and the *wandewa* consisting of luxury goods such as ivory, cloth and beads.

Nazifa (2014) notes the Islamic nexus in the thriving East African coastal trade which had a significant international dimension, especially after the fifteenth century. This created and strengthened contacts between the East African interior and the coast, for example, with the Akamba, the Nyamwezi and the Yao caravans collaborating with the Mijikenda, the Swahili and Arab caravan traders. Items of trade involve slaves, spices, groundnuts and palm oil. Nazifa (2014) observes that the

British colonial governors rarely had any links with the instruments of production or finance, preferring to leave private companies to run the slave trade. Elements of financial management featured these private companies' payment of rent to local African rulers. The African middlemen had a monopoly of supplying slaves and fixed market prices. While the formative trade was barter-based, it quickly became monetized. The Arab ruler Seyyid Said introduced the small copper coins from India to supplement the silver currency (Maria Theresa dollars and the Spanish Crown). A key element of financial management was Seyyid Said's encouragement of *Banyans* (Hindu traders from Gujarat) to settle in Zanzibar. These were mostly moneylenders, brokers and merchants who organised credit facilities for the caravans going into the interior (Forster, Hitchcock, & Lyimo, 2000).

Hurnwick (in Stiansen & Guyer, 1999) posits that some examples of the financial practice of *waqf* or endowment trust property, similar to those evident in North Africa, existed in Lamu. These related to copies of the Quran and other books bequeathed to donor's descendants or for a mosque. The scholars also note the well-known fact that cowries, widely circulated currency in most of Africa, were harvested in the Indian Ocean, around the Maldives, in the fourteenth century. They also served as goods, being exchanged for rice with Bengali merchants, and used as trade currency with Afghanistan, Persia, Yemen and went as far the Mediterranean.

There existed several examples of modified Western financial practices in the East African context. Mwangi, Muathe, and Kosimbei (2014) reported non-financial companies listed on the Nairobi Securities Exchange (NSE) featured a contradiction with the Western model agency theory. While the theory postulate that the use of leverage (long-term debt) in the capital structure can be used to mitigate the agency conflict by forcing managers in invest in profitable ventures that benefit the shareholders, the cited firms did not reveal adherence to these tenets, leading to the conclusion that agency theory is not applicable to non-financial companies listed in NSE, Kenya. Hirschland, cited in Mwenda and Muuka (2004), describes the Kupfuma Inshungu Programme (KIP), which operates in remote sparsely populated, rural Zimbabwe. KIP has enabled 2,221 groups to provide simple financial services to over 14,000 members. In a demonstration of the collectivist spirit of Ubuntu, the scheme does not require guarantees but instead relies on the effectiveness of the group dynamics to mitigate financial risk. This is in contrast to individualistic Western practices that insist on asset collateral to mitigate business risk.

In furtherance of the Ubuntu, crowdfunding is vibrant in East Africa Kenya with Afrikstart (2016) reporting receipt of \$21.7 million by Kenya in 2015 to support various social causes and projects. During the same period, Rwanda and Uganda raised \$8.7 million and \$8.4 million, respectively. Participation by African Diaspora to fund local projects is energising the crowdfunding platforms. In Kenya for instance, about 35% of the funds received by the crowdfunding platform, M-Changa, are from the members of the Kenyan Diaspora from 50 countries. M-Changa, the leading platform indicated that Kenyans donate KES 70 billion (about \$700,000,000) annually to friends and family, directly or via self-help groups (*Harambee*).

Gichuki, Njeru, and Tirimba (2014) confirmed the entrenchment of bootstrap financing in a study of the source of start-up capital for SMEs in Kenya. The study

found out that majority (69.2%) of the respondents obtained their start-up capital from personal savings, 11.2% from family/relatives and only a 10.7% obtained start-up capital from banking institutions. Evidently, the entrepreneurs sought to avoid strict requirements such as collateral security and high repayment cost. In support, Dolan (2016) cites examples of bootstrap finance among innovative under 30-old entrepreneurs. Among others are:

- Andrew Mupuya, 24, Uganda. Founder: YELI Paper Bags Limited. In 2008, 16-year-old Mupuya collected used plastic bottles sold them to a recycling plant for 28,000 shillings (\$8.50) and borrowed Kshs 8,000 shillings (\$2.50) from his teacher to start YELI Paper Bags, a packaging and manufacturing company producing and marketing handmade eco-friendly paper bags from recycled paper. YELI has made 5.6 million bags that have sold in Uganda, Rwanda, Kenya, South Africa, Norway and the United States. He employs 24 people, turning over \$170,000 between June 2014 and June 2016.
- Michael Muthiga, 29, Kenya. Founder: Fatboy Animations. Animation struck Muthiga in childhood. Free online tutorials became his educators. With practice and patience, Muthiga landed a job as a lead animator on the show *Tinga Tinga Tales*, a children's cartoon series based on African folk tales to improve his skills. He saved 90% of his salary every month for equipment and registered his business in 2010. When *Tinga Tinga Tales* announced its last season; Fatboy Animations was born. A YouTube upload of his work earned him a job with a Kenyan telecommunications company. Lucrative contracts streamed in. He employs nine people and handles seven projects per month on average, charging \$14,000 for 30 seconds.
- Edwin Bruno Shayo, 29, Tanzania, Founder: Smart Codes. Shayo first got his first taste of entrepreneurship at the age of 13, selling cassettes. At 17, he graduated to selling CDs. With a government allowance for the university, he bought his first computer and a modem. With the only \$10 left in his pocket, he printed business cards. He built websites for companies to advertise their products. Clients trickled in. He named the business Smart Codes, a digital agency that focuses on advertising, research and marketing. One of its most successful products is M-Paper, a platform that distributes printed newspapers and books directly to readers' phones. M-Paper won the AppsAfrica award for the best innovation and educational application in Africa. Smart Codes turns over \$350,000 a year and has 29 full-time employees and 15 contract workers.
- Alex Muriu, 29, Kenya, Founder: Farm Capital Africa. At university, Muriu ran a successful computer hardware shop and started researching other business ventures.

Upon a chance conversation in 2013 with a farmer, I got to know about the problem of access to finance by small-scale farmers in Kenya. My research revealed a \$1 billion annual gap in the agricultural finance space. This is a big problem, and I saw an opportunity to create an innovation that would help fix this problem.

In 2014, he founded Farm Capital Africa, an agri-investment company.

We help small-scale farmers between 25 and 35 years old to access expansion capital to grow their businesses. We partner with small-scale farmers with great growth potential. Through our investor networks, we help them to access funds they need to scale up their agricultural ventures. This is all done through a profit and loss sharing arrangement between the agri-preneur, Farm Capital Africa, and the investor.

Muriu has helped farmers raise \$100,000 to grow their businesses.

- Hanta Tiana Ranaivo Rajaonarisoa, 24, Madagascar. Founder: Flore Aroma. Her father went bankrupt in 2009, and Rajaonarisoa couldn't afford to finish her business administration degree in the United States. She took over the family-owned unused essential-oil-making machine. She founded Flore Aroma, a low-cost essential oils company, with the money she saved as a student. Her first batch was 100 bottles of mosquito repellent and antiperspirants, which she sold at a trade fair. She now supplies to 40 pharmacies in Madagascar.
- Kelvin Macharia Kuria, 25, Kenya. Founder: Sunrise Tracking. Kuria's entrepreneurship journey began when he was 15. He failed dismally in school. It was just as well his entrepreneurship aspirations grew. With only \$300, he founded Sunrise Tracking, a company that offers tracking, fleet and fuel management system, CCTV surveillance and biometrics. Sunrise Tracking was nominated for the CIO100 East Africa Awards from 2013 to 2015 and reaped \$80,000 in revenues in 2015.

Central Africa

Constituent countries are Angola, Cameroon, Central African Republic, Chad, the Democratic Republic of the Congo, Republic of the Congo, Equatorial Guinea, Gabon, Tomé and Príncipe. The colonizing powers were basically Belgium Portugal and France (Collier & Gunning, 1999). Suggestive of early human awareness of financial management practices, Wynn (n.d) alleges that the first solid evidence of the existence of recording numbers is the Ishango Bone, variously dated from around 6,500 BC to 20,000 years ago. The bone was found in 1960 among the remains of a small community that fished and gathered in the area now known as the Virunga National Park in the Democratic Republic of Congo. The settlement had been buried in a volcanic eruption. According to the scholar, the lines cut into the bone are too uniform to be accidental and that archaeologists believe the lines were tally marks used as a counting tool for simple mathematical procedures for as yet unclear phenomena. As stated earlier, Littleton (in Farag, 2009) lists arithmetic as one of the seven antecedents of double-entry bookkeeping, the cornerstone of early record keeping and modern financial reporting and financial management.

The British Museum illumines that migration patterns gave rise to the centralised monarchy ruling the kingdom of Kongo by the 1500s, contact with Portuguese coming shortly after (<https://www.britishmuseum.org/pdf>). Agriculture was the basis of village production, the land was owned communally and the harvests divided among families, with some set aside for the payment of taxes. Forced

labour existed farm plantations and iron, copper, salt, ivory and animal hides, and bark cloth from the villages were traded with the Portuguese. Gradually, the export of slaves became a way of paying for the importation of European goods. Currency, *nzimbu* (cowries) shells gathered from coastal waters within the kingdom, were viewed as the property of the king. Accumulation of *nzimbu* was the indigenous mode of capital wealth stocking to finance Kingdom ventures.

Tchuindojo (1999) claims that Cameroon pioneered the Rotating Savings and Credit Associations (ROSCA), attributing its pre-colonial prevalence to Bamilekes, an ethnic group of living West province. The ROSCAs, popularly known as *Djanggi*, has become the most widespread form of informal finance in this country. Deposits collected by the ROSCAs were more significant than the monetary volume held by the whole of the nation's secondary banks. The oldest of these would be termed work ROSCA, representing the spirit of mutual aid, when men and women who left the family framework gathered as clans sharing in the construction of houses or drinking water wells. Gradually, the arrangement was monetized and ROSCAs were easily used to finance regional trade.

Dolan (2016) reports some occurrences of bootstrap finance in central Africa, a noteworthy is William Elong, 23, Cameroon, Founder: Will & Brothers. At 23, he runs a drone business he started with little more than a PowerPoint presentation. He founded Will & Brothers, an IT innovation and competitive intelligence start-up, with the main project called DroneAfrica, promoting civil drones as a business service and civil defence tools in Cameroon against terrorism. The drones are also used in mapping, agriculture, media coverage and tourism. He employs four people and has a dozen drones.

Western Africa

West African countries comprise Benin, Burkina Faso, Cape Verde, Ivory Coast, Gambia, Ghana, Guinea, Guinea-Bissau, Liberia, Mali, Mauritania, Niger, Nigeria, Saint Helena, Senegal, Sierra Leone and Togo. According to Collins (1990), West Africa has a colonial legacy of both France and the United Kingdom. The nexus of Muslim frameworks for commerce has, nonetheless, had an enduring legacy with West Africa's integration into Muslim trade through the Sahel and trans-Sahara caravans (Guyer, 2012).

A refreshing case of pre-colonial indigenous financial management practice that prefigured Western financial institutions practices occurred in Kano, the wealthiest and most important manufacturing and commercial city in the nineteenth century in Hausaland. Dogarawa (2012), in a case study on the canons of lending and credit administration methods in the pre-colonial informal financial sector, examines Kundila, a famous nineteenth-century trader in Kano City who practised certain principles akin to modern-day financing and credit management practices. This featured intensive monitoring of loan and cases of an auction of collateral or other severe measures against loan defaulters.

Starting off by hawking water at the age of 12, Kundila was already financially independent at the age of 22 years. Exercising keen financial management skills, he made a lot of profit through cutting overhead costs and re-investing internally and generated funds to increase the working capital in caravan-propelled trade. He diversified investment into spinning, weaving, leather works, smithing as well as dyeing services, sourcing all the needed raw materials from his subsidiaries. He also engaged in interregional trade, as a sleeping partner in some ventures. His cash management practices involved upfront cash payment known as *Lada* and dealt with the direct lease, sale and leaseback arrangement. Kundila practised an effective credit management, replete with a monitoring and reporting system by secret agents. Instances of bad debts write-offs were followed up with blocking all avenues to the debtor for any future credit within and outside the Kano Emirate. Other credit administration measures included: surveillance of market prices in order to track traders' margins and stock balances to block manipulation by traders due to price fluctuations. Auction for loan defaulters' confiscated assets was a last resort. In such instances, market valuation of the properties was undertaken, witnessed by representatives from both parties. Any surplus over outstanding debt was remitted to the debtor while auctioning additional property was undertaken to make up for any shortfalls. *Tamirgina System*, a concept of debt rollover, applied only on consumption loans, carried a punitive 100% interest charge.

In a salutary demonstration of financial management acumen, the researcher documents an instance where money advanced by Kundila was not refunded by a would-be Emir; instead, Kundila asked for a favour that his agents caught for minor offences should be released. The financial payback he extracted was immense, far outweighing the chargeable interest on the initial loan. The favour entailed: exemption from payment of penalties for offences by Kundila hawkers, a standing order by the Emir to immediately release all Kundila's agents caught for minor offences around the busy Kurmi market. In addition, there accrued the opportunity cost saved rising from the speedy release of the agents to continue hawking. Kundila enjoyed perpetual advantage of the waiver for the lifespan of the Emir.

The canons of lending of Kundila show how sensitive he was about business risks. His lending policies suitably prefigure modern principles of credit, demonstrating the 4Cs of lending (character, capability, collateral (or guarantor) and competence of the borrower to manage the loan). Kundila's 'secret agents' resemble the credit officers in modern banks. A unique departure from Western practice is evident in Kundila's calculation of rental payments on lease assets. Rent was a proportion of output; where paid up front, the rent was arrived at based on the quality of the asset to be leased. These arrangements are in sharp contrast with what obtains in modern leasing firms where rental payments are tied to balance of the principal instead of output or quality of the asset.

Addoun, Lockhart, and Lovejoy (2013) provide an informative treatise on indigenous accounting and financial management practices in pre-colonial early nineteenth-century West Africa. They reveal about methods of accounting, prices, budgeting and credit management. The records are based on chronicles of Captain Hugh Clapperton, who travelled to Borno in Oyo in 1824 and to the Sokoto

Caliphate in 1827. First, the accounts provide evidence of the use of Arabic in keeping accounts in. Second, they show proof of financial planning in the form a budget that revealed the cost of living for a period of three weeks in Sokoto for the prosperous merchant. Third, the records reveal a catalogue of the cost of daily living along the routes into the interior of West Africa in the 1820s. Fourth, credit control practices are evidenced by records of a court case in Borno relating to efforts to recover funds that had been loaned to an official who subsequently died. Fifth, these documents ascertain that the unit of account in the Sokoto Caliphate and Borno was cowries, which were exchangeable with silver dollars of various origins, including Spanish, the United States, and Austrian. Finally, Clapperton chronicles reveal his own use of bills of exchange backed by British Consul in Tripoli, through the medium of Arab merchant houses that had agents in the Sokoto Caliphate and Borno. These accounts are reminiscent of indigenous financial management practices before Western colonial entrenchment.

Addoun et al. (2013) also chronicle an account book of a prominent merchant, Ahmad Abu al-Ghaith, who also doubled up as a banker and mortgaged property, engaged in commercial activities in Katsina in the 1830s and 1840s. The book lists contracts that Abu al-Ghaith had entered into the course of trade in slaves, salt, camels and cloth of various types. There are references to business with several Katsina officials, the Emir of Katsina and Tuareg officials who traded with him. Further enlightenment is provided by Guyer (in *Stiansen & Guyer, 2007*) regarding trade finance, investment capital management and credit administration practices in traditional and pre-colonial Kingdom of Dahomey, a dominant military and commercial power on the Atlantic coast of modern-day Benin until French conquest. Its history spans 300 years from around 1600 until 1904. Two preceding states, Allada and Whydah, were conquered by Dahomey in the 1720s. Local tradition maintains that before the advent of cowry shells, earlier trade was conducted by barter and, therefore, limited in scale. Monetisation occurred through the cowry currency and this propelled the expansion of credit.

While commercial credit in the European trade was extended by both Europeans and Africans, private Dahomean merchants, as well as the King, were the source of credit, both commercial and non-commercial in the intra-African trade. Commercial credit extended by Africans to the Europeans can be illustrated by the case of an English merchant who traded at Whydah in the early eighteenth century before its conquest by Dahomey in 1727. The trader noted that the Whydah traders were happy to grant him credit 'for ten days together' when the state of the sea prevented the landing of goods from his ship. A Danish trader at Whydah in 1784 likewise reports that slaves were purchased in town from traders who subsequently went to the European factory involved to collect their goods. Sometimes this involved delays in payment when goods could not be landed immediately because of the state of the sea. The trader acknowledges the slave traders as great capitalists, running a credit to the Europeans to the extent of a thousand or more thalers (equivalent to around 70 slaves). A British trader in 1803 also stated that the extension of credit was a regular feature of the trade, preferring to be paid the full

amount due to them at the time of the settling of accounts, at least at the end of a ship's trading.

Credit collection could be a tough affair and the Europeans were not exempt from strong-arm antics. When the French began trading at Allada in 1670, they also granted credit. When some of those with whom they traded failed to clear their debts, they had to appeal to the King to enforce payment. In 1682, for example, when the chief factor of the English Royal African Company was arrested and deported by the local authorities, one of the grievances cited against him was his delay in paying for 15 slaves supplied to him on credit by a local chief. Credit collection enforcement was undertaken by 'panyarring' or labour pawning; i.e., seizing a person who might be sold to clear the debt, which was practised in early times. Swanzey in the 1870s, for example, reports that in Dahomey, the King 'has supreme power in cases of debt,' and might order the sale of the debtor and all his family into slavery. Besides use in trade finance, credit or loans obtained through labour pawning often were used to meet religious obligations, funeral expenses and court fines.

Regarding long-term investment management, in an economy where a value was generated by labour, the 'pawning' persons or goods as security for loans was a handy device. Such goods or persons were 'converted' to cowry equivalents, a practice that allowed monetary wealth to be accumulated in a way that augmented production over a period of years. Guyer also alludes to use treasure houses, in much of West Africa, doubling up as shrines, to accumulate wealth or investment. The most visible was the King's palace at Abomey that included a two-storey building called the 'cowry house' (*akuehue*). There was evidence of an indigenous system of financial record keeping. In 1670 at Allada, it was noted that in the absence of writing, the people used knotted strings to keep records of various matters, including commercial transactions, for example, the price of goods. Each knot represented a bag of 20,000 cowries; other recording devices included wooden tallies and pieces of cloth marked with indigo. In an instant, after the conquest of Allada in 1724, the King's officers counted the captives taken (over 8,000) by giving a cowry to each.

At a lower level of affluence, one of the principal indigenous credit institutions in West Africa which have survived to this day is ROSCA, referred to in francophone Africa as the 'tontine.' Known as *esusu* in Yorubaland east of Dahomey, they certainly existed in pre-colonial times as attested by the missionary Samuel Crowther in 1856. Turning to modifications of Western financial management practices, [Agyei-Mensah \(2011\)](#) reports that Ghanaian small firms to a low extent use capital-budgeting evaluation techniques of the payback method and completely ignore accounting rate of return (ARR), discounted cash flow, net present value (NPV) and internal rate of return (IRR). The scholar notes the stark contrast with the US small firms which feature prevalence of the same techniques ([Grablowsky & Burns, 1980](#); [Luoma, 1967](#)). Lack of exposure to modern quantitative financial management techniques and the inability of small firms to make use of computerised accounting systems were cited as an impediment. Decisions such as the purchase of equipment or expansion of facilities are based more on intuition, instinct and past experience. Small businesses have limited in-house capability to handle the key accounting and financial management functions. In contrast, their counterpart in

developed countries could experience similar limitations but have the option to out-source the services to part-time consultants.

Osei-Assibey, Bokpin, and Twerefou (2012) in a study of MSEs within the context of the rural financial market (RFM) in Ghana reports an interesting twist of the Pecking Order Hypothesis (POH) of capital structure. Osei-Assibey et al. (2012) found that at start-up, micro entrepreneurs have a strong preference for either internal or less costly and less risky financing such as bootstrap or informal financing, for example, supplier's credit or SUSU schemes, a form of traditional financial intermediaries. However, as the enterprise gets established or matures, its capacity to seek formal financing increases and, thus, more likely to seek external debt finance, particularly formal bank loan.

Osei-Assibey et al. (2012) maintain that this form of the pecking order is a consequence of severe persistent constraints rather than own preferences. According to the traditional POH, the order of the preference is from the one that is least sensitive (and least risky) to the one that is most sensitive (and most risky) that arise because of asymmetric information between corporate insiders and less well-informed market participants. In a similar challenge to Western financial management practices, Yartey (2011) examined how small unlisted businesses in Ghana finance their growth and the extent to which they rely on internal finance relative to external sources of finance. Contrary to conventional postulates, the result indicated that the firms prefer finance from external debt, followed by internal finance.

Dolan (2016) reports some occurrences of bootstrap finance in West Africa.

- Nana Opoku Agyeman-Prempeh, 28, Ghana, Co-Founder: Asoriba, a church app, a web-based church management application for church worshipers and leaders. Members can also give tithes, offerings and pledges to the church online. He has signed 395 churches in Ghana, Kenya, South Africa, Nigeria and the US and registered 30,000 church members to his platform. Churches pay from as little \$9 per month for the service.
- Sulley Amin Abubakar, 29, Ghana, Founder: Zaacoal, legendary West African Entrepreneurial spirit. Provided a solution for over a thousand coconut sellers in the Greater Accra municipality alone, who find it difficult to dispose of waste. He is using this waste for coal and to saves lives by creating green charcoal and still makes a profit. He risked his final year law school fees to build Zaacoal, behind his mother's back, and it's paying off. He is on course to sign a million-dollar deal to grow the company. He hopes to produce 1,000 bags of Zaacoal per day.

Southern Africa

The countries making up Southern Africa include: Botswana, Lesotho, Namibia, South Africa and Swaziland. Bauer and Taylor (2005) depict Southern Africa as a melting pot and home to many cultures and people. Presently dominated by the Bantu, the process of colonisation and settling resulted in a significant population of European (Afrikaner, British, Portuguese Africans, etc.) and Asian descent

(Cape Malays, Indian South Africans, etc.). Two facts stand out. First, in many southern African countries, colonialism lasted far longer than elsewhere on the continent. Second, earlier history features the relative absence of slavery compared to the rest of Africa. According to [McFarlin, Coster, and Mogale-Pretorius \(1999\)](#), the lengthy colonial legacy has resulted in immense cultural gaps, dominated by rationalism, individualism, and autocracy and ignoring the co-operative and communal philosophies extant in the rest of Africa.

Regarding early history, [Chirikure \(2017\)](#) avers that communities that are resident in southern Africa, from first millennium CE, practised trade and exchange known as *hxaro* initially between themselves and later with farmers. At Sehonghong in Lesotho, evidence suggests that hunter-gatherers traded and exchanged ostrich eggshell, beads, animal skins and meat with farmers who occupied the KwaZulu-Natal coastal plains. According to South Africa Yearbook 2012–13, the early history saw chiefdoms arise, based on control over cattle, which gave rise to systems of patronage and hence hierarchies of authority within communities. Probably due to population pressures, combined with the actions of slave traders in Portuguese territory on the east coast, the Zulu kingdom emerged as a highly centralised state, with Shaka exercising authority over most of south-east Africa by the 1820s. Alluvial diamonds discovered on the Vaal River in the late 1860s was the seedbed of mineral revolution.

There is a surprising dearth of literature on both indigenous financial management practices and modifications of Western practices to suit local Southern Africa contexts. It can be conjectured that the former may be due to the fact that earlier history featured the relative absence of slavery and long-distance trade, compared to the rest of Africa. The latter may be attributed to the long-lasting colonialism in southern Africa compared to the rest of Africa. This may have simultaneously entrenched Western-style financial practices and suppressed efforts at research. The use of sophisticated capital-budgeting techniques that incorporate risk assessment in Namibia ([Katjiruru, 2016](#)) would suggest colonial legacy and proximity to the Westernised culture of South Africa. According to Hofstede, Southern Africa, commensurate with most Western societies, score highly on individualism and low on uncertainty avoidance ([Hofstede, 2001](#)).

In a promising framework for further research, [Bray and Els \(2007\)](#) provide an interesting treatise on indigenous financial management practice with the concept of ethno-finance in South Africa. They define ethno-finance as the art of managing money and assets within a financial system that originates and develops from a specific area and denotes or derives itself from the cultural traditions of the people who live in that specific geographical area. For evidence of ethno-finance, they posit the extensive informal sector activities within the black population spanning trading and hawking, production and construction, services and illicit activities. The range of goods and services found in this enclave include ‘stokvels’ (a savings association), Village banks and burial societies, payment of ‘lobola’ (a cultural marriage tax), the management of a ‘shebeen’ (an ‘illegal’ bar), proceeds from spaza by selling sweets, cigarettes and food on a street corner. A focus on harnessing ethno-finance has the promise of spurring saving and lending practices that form the bedrock of financial

systems to alleviate poverty. In contrast to the capitalistic, individual-based Western financial management practices, ethno-finance derives from the collectivist spirit of Ubuntu.

Ubuntu spirit is also demonstrated by thriving crowdfunding practice via peer-to-peer business lending platform Rainfin that accounts for over 95% of the total business loans provided to entrepreneurial start-ups (Wolf, 2017). Dolan (2016) cites examples of bootstrap finance among innovative under 30-year-old entrepreneurs in Southern Africa.

- Inga Gubeka, 28, South Africa, Founder: Indalo Décor. He started a business homeless and hungry. ‘I had been awarded a commission by the department of health to design and manufacture information booths, I couldn’t because I required cash to manufacture the stuff, I went to all the banks they couldn’t [lend money to] my company because I lived hand-to-mouth.’ Indalo Décor – named after his son and meaning ‘creation’ in isiZulu – designs and makes backpacks, clocks, lamps and wooden accessories for cell phones. The plywood bags are his best sellers. Gubeka makes \$77,000 a year.
- Nadav Ossendryver, 20, South Africa, Founder: Latest Sightings. He spent hours on YouTube teaching himself how to code an iPhone app. ‘Within three weeks, I had the app out in the App Store. I used social media to grow a community of around 30,000 in three weeks. All of this for only \$10 for the domain name for my site.’ Four years later, Ossendryver has one of the top-viewed YouTube channels in South Africa. With over 215,000 subscribers and over 255 million views worldwide, it makes money.

Advice for Managers and Educators

Advice for Managers

Given the presented evidence that many of the indigenous African financial management practices actually prefigured the Western versions, it is imperative that finance managers in African settings discard a Euro-centric attitude that all Western techniques are superior. A starting point can be the practice of managers documenting their own experiences on aspects of workplace financial management. Managers are acknowledged veritable sources of information to the search for indigenous management theory (Jaja & Zeb-Obipi, 1999). Attendance at short-term training course to appreciate concepts such as ethno-finance and Ubuntu would be enriching. The financial manager should explore and embrace innovative Islamic finance practices.

Advice for Educators

The evidence presented indicates that many financial practices have roots in African pre-colonial settings. Yet, modern curricula at all levels present modern

financial management practices as couched in Western paradigms. This apparent disconnect needs to be remedied by revising curricula right from formative learning to higher education. The recommendations from the framework by [Bray and Els \(2007\)](#) in this regard are spot-on:

- Identifying the need for incorporating ethno-finance as an important interdisciplinary research focus
- Building upon local people's knowledge
- Working with existing organisations, such as non-government organisations and research organisations
- Create databases with a special emphasis on ethno-finance
- Both educators and learners need to be exposed to ethno-finance
- Create National Research Foundation for indigenous knowledge systems
- Recognise that researching on indigenous knowledge systems processes are primarily bottom-up, originating from local communities. Such knowledge is mostly oral and unwritten. This is particularly vital in gleaned knowledge from surviving descendants of some large monarchies or firms in pre-colonial Africa
- Recognise that Ethno-finance curricula are concomitant with Ubuntu

In addition, the training approach should percolate to practitioners of financial management. This will call for a revision of professional curricula dealing with accounting and finance and general management. Short-term training can easily incorporate concepts of ethno-finance and Islam Finance. Another promising line of inquiry relates to recovering the buried treasure on indigenous financial knowledge practices that must have existed in the old African Kingdoms. [Wynne \(n.d\)](#) makes a passionate appeal for research into pre-colonial public financial management approaches on the great empires. Continental research collaboration could yield further fruit. [Guyer \(2012\)](#) advises on the need to theoretically assimilated concepts, borrowing from studies of accounting in the historical practices of Asia, India, the Near East and Mediterranean worlds, which are the source of mathematical abstractions taken to Europe in the thirteenth century and credited with supplying the basis for the modern numerical and monetary systems, a base for financial management.

Overall Chapter Framework or Model

This chapter advances that there is a solid basis for enhancing indigenous African financial management practices. A model to achieve this must be built on all the stakeholders involved, keeping in mind the overall goal of achieving prosperity for the people of the continent of Africa. Such stakeholders and the nature of the stake must be clearly delineated. The stakeholders are identified as the African populace itself, the national and state/county governments, the academic, educational and research institutions and financial management practitioners. How can indigenous

financial management practices be enhanced in Africa? A suggested model can be based on three principles:

- Pooling together people's resources through Ubuntu philosophy;
- Relying and building upon what people know (tradition); and
- Reinforcing use of indigenous financial management practices.

Summary and Conclusion

This chapter has documented the evidence of indigenous pre-colonial financial practices. While there is also evidence of modification of Western practices to suit African contexts, it is on the whole scarce. This is suggestive of the fact that they were in existence in the first instance. The clear conclusion is that many such practices pre-dated and foreshadowed their Western counterparts. Yet, it is confounding that this has been largely lost sight of, and their vestiges depicted as inferior by both scholars and financial management practitioners. There is clearly a need to remedy this situation. Educators need to focus on incorporating ethno-finance concepts into the entire curricula chain from basic to higher education. The anchor point for such curricula is Ubuntu philosophy. Financial management practitioners, on their part, need to shed notions that the indigenous practices are inferior, seek to journalise the day-to-day work experiences to document practice.

Guyer (in Stiansen & Guyer, 2007) cites a lacuna regarding Africa's financial history regarding two issues. First, it is not clear how the monetary wealth of Africa has been invested and how monetary assets, commitments and debts have been inherited from one generation to the next. Second, because sources on the spending of money have not yet been synthesised, there is also relatively little on how savings worked. Further work is necessary on along these lines. Finally, it would be negligent not to point out limitations of the chapter and suggest a way forward. A major limitation is that the extant literature is Euro-centric, that is Western scholars researching on indigenous African financial management practices. African researchers need to actively get involved. To borrow from Trevor Manuel, South Africa's finance minister (in Hawi, 2005), quoting an African proverb: 'Until the lions have spoken, the only history will be that of the hunters'.

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