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MORAL ACCOUNTABILITY AND THE SUSTAINABILITY OF INDIGENOUS FINANCE: ETHICAL CHALLENGES OF AJO IN IBORO COMMUNITY, OGUN STATE, NIGERIA.

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Abstract

This paper examined the relationship between moral accountability and the sustainability of indigenous finance, with specific reference to Ajo in Iboru community. Ajo, a long-standing rotating savings and credit arrangement among the Yoruba of south-western Nigeria, has traditionally operated on trust, shared responsibility, and communal reputation rather than formal legal enforcement. In recent years, however, concerns have emerged within Iboru regarding contribution default, weak documentation, leadership opacity, and declining communal sanctions, raising questions about the long-term stability of the system. The problem addressed in this study was the gradual erosion of moral responsibility among participants and coordinators, which has begun to undermine trust and collective confidence. The study focused on Ajo operations within Iboru community, examining issues of transparency, accountability, reciprocity, and social enforcement. A qualitative approach was adopted, drawing on semi-structured interviews, focus group discussions, participant observation, and relevant scholarly literature on indigenous finance and moral economy. The findings revealed that although Ajo remained economically useful and socially valued, its sustainability was increasingly threatened by economic hardship, shifting social values, and inadequate accountability structures. The study concluded that strengthening moral discipline, transparent record-keeping, rotational leadership oversight, and community-based dispute resolution mechanisms are essential for preserving both trust and continuity in indigenous financial systems.

Key Words: Ethical Challenges, Indigenous Finance, Moral Accountability.

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Introduction

Indigenous financial systems have historically functioned as vital instruments of economic survival, social cohesion, and communal solidarity across African societies. Long before the institutionalisation of modern banking structures, local communities developed trust-based mechanisms for savings mobilisation, credit distribution, and mutual assistance. Among the Yoruba people of south-western Nigeria, one of the most enduring of such systems is Ajo, a rotating savings and credit association built upon periodic contributions and collective trust.ⁱ Within Iboro community, Ajo has continued to operate as a grassroots financial structure that facilitates capital formation for petty traders, artisans, farmers, and low-income households who often remain excluded from formal financial institutions.

The sustainability of Ajo, however, has never depended solely upon financial contribution cycles. Its continuity has historically rested upon moral accountability, communal reputation, social sanctions, and shared ethical expectations.ⁱⁱ Participants entered Ajo arrangements not merely as economic actors but as moral agents embedded within a relational community. Honour, trustworthiness, and integrity functioned as unwritten guarantors of compliance. In recent years, however, significant ethical challenges have emerged within indigenous finance systems, including cases of default, misappropriation of funds, manipulation of collection cycles, leadership opacity, and weakening communal sanctions.ⁱⁱⁱ These developments have raised critical questions regarding the durability of Ajo within rapidly transforming socio-economic contexts.

In Iboro community, anecdotal reports and community testimonies have suggested that declining moral accountability among organisers and contributors has begun to erode confidence in Ajo operations. Economic hardship, urban migration, increasing individualism, and exposure to formal banking culture have reshaped communal relationships and altered traditional mechanisms of enforcement.^{iv} Whereas earlier Ajo groups operated under intense social visibility, contemporary settings present greater anonymity and reduced communal pressure, thereby complicating trust enforcement. The resulting tension between traditional moral frameworks and modern economic realities has generated ethical dilemmas that threaten the sustainability of the system.

The problem addressed in this study therefore centres on the relationship between moral accountability and the sustainability of indigenous finance, with specific reference to Ajo in Iboro community. While existing scholarship on microfinance and rotating savings associations has largely emphasised economic efficiency and poverty alleviation, comparatively limited attention has been devoted to the moral foundations that sustain such systems over time.^v Yet indigenous finance does not function as a purely technical economic arrangement; it is sustained by ethical commitments, communal enforcement, and shared normative values. Where these moral foundations weaken, financial sustainability becomes precarious.

The scope of this paper is geographically limited to Iboro community, yet its analytical implications extend to broader discussions on indigenous finance across Nigeria and sub-Saharan Africa. By examining Ajo through the lens of moral accountability, the study situates indigenous finance within the wider discourse of moral economy, social capital theory, and community-based governance. It seeks to demonstrate that sustainability in informal financial systems is inseparable from ethical culture.^{vi} Methodologically, the study

adopts a qualitative and analytical framework. Data were generated through semi-structured interviews with Ajo coordinators and participants in Iboro community, focus group discussions, and participant observation during contribution cycles. These primary data were complemented by documentary analysis of recent scholarly materials on indigenous finance, rotating savings associations, community ethics, and moral economy published between 2015 and 2025. The analytical approach integrates social capital theory and moral economy perspectives to interpret the findings within contemporary ethical discourse.^{vii} This work therefore contends that moral accountability constitutes the indispensable foundation for sustaining indigenous finance. Where trust is institutionalised, indigenous systems thrive; where trust deteriorates, financial collapse becomes inevitable.

Conceptual and Theoretical Framework of Moral Accountability and Indigenous Finance

The sustainability of indigenous finance cannot be adequately analysed without conceptual clarity regarding moral accountability and the theoretical foundations that sustain informal economic institutions. Within African communal contexts, finance has historically operated not merely as an economic exchange mechanism but as a moral enterprise embedded within social relations. Indigenous savings systems such as Ajo in Iboro community function within a relational matrix where ethical obligations, communal identity, and reputational capital regulate compliance. Consequently, the erosion of moral accountability directly threatens institutional continuity.

Moral accountability refers to the obligation of individuals and leaders to act in accordance with accepted ethical norms and to remain answerable to the community for their conduct. It involves transparency, trustworthiness, fidelity to agreed rules, and readiness to submit to communal scrutiny. Unlike legal accountability, which relies upon formal sanctions, moral accountability is rooted in shared values and internalised norms. In indigenous finance systems, where contractual enforcement mechanisms are minimal or absent, moral accountability becomes the primary regulatory instrument. Participants comply not because of written legal compulsion but because of social expectations, honour, and fear of reputational damage.

Indigenous finance, particularly rotating savings and credit associations, operates on cyclical contribution and distribution principles. Each member contributes a fixed amount periodically, and the pooled fund is allocated to members in rotation. The viability of such a system depends upon three pillars: trust, predictability, and collective enforcement. Trust ensures members continue contributing even after receiving their allocation; predictability guarantees fairness in rotation; collective enforcement ensures that defaulters face communal consequences. These pillars are fundamentally moral rather than technical. When they weaken, the system becomes susceptible to collapse.

The moral economy framework provides a useful theoretical lens for understanding this relationship. The concept of moral economy suggests that economic practices are governed by normative expectations concerning fairness, reciprocity, and communal welfare.^{viii} Within this framework, economic behaviour is not value-neutral but socially regulated. In Iboro community, Ajo historically functioned as a moral economy institution where fairness in rotation, honesty in collection, and communal sanctioning of default were

expected standards. Breaches were interpreted not merely as financial misconduct but as moral failure against the community.

Social capital theory further illuminates the operational dynamics of Ajo. Social capital refers to networks, norms, and trust that facilitate coordination and cooperation for mutual benefit.^{ix} Indigenous finance thrives where bonding social capital, strong ties within homogeneous communities, is high. In tightly knit communities, reputational risk acts as a deterrent against default. However, as communities experience social fragmentation through migration, economic mobility, or cultural change, bonding capital may weaken, reducing the effectiveness of informal enforcement. In Iboró, changing socio-economic patterns have arguably altered the density of interpersonal networks, thereby weakening moral pressure mechanisms.

Institutional theory also contributes to understanding sustainability. Institutions persist when norms, rules, and belief systems are internalised and reproduced across generations.^x For Ajo in Iboró to remain sustainable, its moral codes must be transmitted, reinforced, and adapted to contemporary realities. Where institutional memory erodes and younger participants lack formation in communal ethics, the structure becomes fragile. Sustainability therefore requires not only operational efficiency but normative reinforcement.

Therefore, moral accountability must be reconceptualised not merely as personal virtue but as structured communal governance. Theoretical insight suggests that sustainability requires reinforcing social capital, institutionalising transparency mechanisms, clarifying agency roles, and revitalising communitarian ethics. Without deliberate reinforcement of these moral and structural foundations, indigenous finance systems risk gradual deterioration despite their historical resilience.

Historical Evolution and Operational Structure of Ajo in Iboró Community

The institution of Ajo in Iboró community did not emerge as an isolated financial innovation but developed within the broader historical experience of Yoruba communal life. Long before the expansion of formal banking in colonial and post-colonial Nigeria, indigenous communities devised cooperative savings mechanisms to mobilise capital for trade, agriculture, ceremonies, and emergency support. Within the Yoruba socio-economic landscape, rotating savings associations were deeply embedded in market networks, artisan guilds, kinship circles, and women's trading groups.^{xi} In Iboró community, oral testimonies indicated that Ajo practices had been active for several decades, particularly among women traders and small-scale farmers who required periodic lump sums for business expansion or seasonal investment.

Historically, Ajo in Iboró functioned as a trust-bound collective arrangement governed by unwritten norms. Membership was typically voluntary but socially selective. Participants were often drawn from existing relational networks such as neighbourhood associations, church groups, market clusters, or extended families. Entry into the group was predicated upon reputation, reliability, and moral standing within the community.^{xii} This relational screening mechanism served as the primary risk management strategy, reducing the probability of default before the commencement of contribution cycles.

Operationally, Ajo followed a rotational contribution model. Members agreed on a fixed periodic contribution, weekly or monthly, depending on the economic capacity of participants. The total pooled fund was

allocated to one member per cycle according to a predetermined order established either by consensus, ballot, or perceived urgency of need. Once a participant received the allocation, that individual was morally obligated to continue contributing until all members had benefited. The sustainability of the system depended on compliance during post-benefit contribution phases, a point at which moral accountability was most critically tested.

In earlier phases of Ajo practice in Iboró, record-keeping was minimal yet effective due to the small size of groups and high interpersonal familiarity. The coordinator, often referred to as the collector or treasurer, maintained a simple ledger or relied on collective memory reinforced during meetings.^{xiii} Meetings were usually held in accessible communal spaces, market stalls, residential compounds, or church premises, where contributions were publicly counted. This visible accounting process enhanced transparency and reinforced trust through collective witnessing.

However, the operational structure of Ajo in Iboró has undergone notable transformation in response to socio-economic change. Increasing urban mobility has expanded participation beyond immediate neighbourhood networks, thereby reducing the density of interpersonal familiarity. Some Ajo groups now operate across dispersed residential areas, making physical meetings less frequent. Digital communication tools such as mobile messaging platforms have occasionally replaced in-person gatherings, altering the transparency dynamic of public counting and collective verification.

Furthermore, economic pressures have influenced contribution structures. Rising inflation and fluctuating income patterns have necessitated adjustments in contribution amounts and cycle duration. Some coordinators have introduced staggered payment systems or flexible contribution windows, which, while adaptive, have occasionally generated ambiguity regarding compliance expectations.^{xiv} Where contribution schedules lack strict monitoring, enforcement becomes weaker, increasing vulnerability to default.

Another significant structural shift concerns leadership centralisation. While traditional Ajo arrangements often rotated coordination responsibilities, contemporary practice in Iboró sometimes concentrates financial control in the hands of a single long-term coordinator. Although continuity can enhance organisational stability, prolonged control without systematic audit mechanisms introduces agency risk. Participants interviewed during fieldwork expressed concerns regarding inadequate documentation, delayed disbursement, or insufficient clarity about fund balances. Such perceptions, even when not substantiated by proven misconduct, erode trust and threaten sustainability.

The operational sustainability of Ajo in Iboró now depends upon deliberate reinforcement of accountability structures. Historical evolution demonstrates that moral reputation once functioned as adequate security; present realities suggest the need for supplementary mechanisms such as clearer documentation, periodic reporting, shared oversight, and dispute resolution frameworks. The transition from purely informal moral enforcement to hybrid moral-structural accountability may determine whether Ajo retains its viability in the coming decades.

Thus, the historical trajectory of Ajo in Iboró community reflects both resilience and vulnerability. Its communal origins grounded in trust, relational screening, and social sanction provided strong foundations.

Yet socio-economic transformation, leadership centralisation, and reduced interpersonal density have introduced ethical strain. Understanding this evolution is essential for diagnosing the contemporary challenges examined in the next section.

Ethical Challenges Confronting Ajo in Iboro Community

The historical resilience of Ajo in Iboro community has been anchored in moral accountability, communal trust, and reputational enforcement. However, field data generated through interviews and focus group discussions revealed a range of ethical challenges that have gradually weakened these foundations. While the structure remains operational, participants consistently acknowledged emerging vulnerabilities that threaten long-term sustainability. These challenges may be categorised under five interrelated themes: contribution default and delayed remittance, leadership opacity and fund mismanagement, erosion of communal sanctions, individualistic economic orientation, and documentation deficiencies.

The most frequently reported ethical concern involved contribution default, particularly after beneficiaries had received their allocation. Several participants indicated that members occasionally delayed remittance, citing economic hardship, medical emergencies, or fluctuating business income. While such reasons were sometimes legitimate, patterns of habitual delay created distrust among remaining contributors. From a moral economy perspective, the legitimacy of Ajo depends upon reciprocal fairness; when members prioritise personal convenience over collective obligation, the normative equilibrium is disrupted.^{xv} The moral obligation to continue contributing after personal benefit represents the core ethical test of the system. Once that obligation weakens, sustainability becomes uncertain.

Closely related to default was the issue of leadership opacity. In some Ajo groups within Iboro, coordinators exercised prolonged control over pooled funds without structured reporting mechanisms. Although not all cases involved proven misappropriation, participants expressed discomfort regarding lack of periodic financial statements or collective verification processes. Agency theory suggests that where monitoring mechanisms are weak, the risk of opportunistic behaviour increases.^{xvi} The concentration of financial authority without transparent audit procedures erodes confidence even in the absence of direct misconduct. Trust in indigenous finance is as much perceptual as it is factual; suspicion alone can destabilise participation.

A third challenge concerned the weakening of communal sanctions. Historically, default attracted immediate reputational consequences within the tightly knit social fabric of Iboro. However, increasing mobility and urban dispersion have reduced the social visibility of participants. Some contributors now reside outside the immediate locality, limiting the effectiveness of face-to-face accountability. Social capital theory underscores that dense interpersonal networks enhance compliance through reputational pressure.^{xvii}

Documentation deficiencies constitute another significant ethical vulnerability. While simplicity once enhanced accessibility, the absence of systematic record-keeping now generates ambiguity in larger or more diverse groups. Several participants reported disputes concerning contribution totals, payment dates, or disbursement sequence. In the absence of written agreements or digital records, resolution depended heavily upon verbal recollection, which proved unreliable in contested situations. Institutional theory suggests that sustainable organisations require reutilised procedures and formalised norms to survive generational transitions.^{xviii} Ajo in Iboro, where still

dependent upon informal memory systems, faces structural fragility under contemporary conditions of expansion and diversification.

In addition to these primary challenges, economic volatility has intensified ethical strain. Inflationary pressures and irregular income streams increase temptation toward delayed remittance. Participants acknowledged that economic hardship does not excuse default but recognised that financial stress complicates moral compliance. This reality highlights the intersection between structural economic conditions and ethical behaviour. Indigenous finance cannot be insulated from macroeconomic instability; however, strong accountability systems can mitigate its destabilising effects.

Despite these challenges, it is important to note that Ajo in Iboro has not collapsed. Rather, it exists in a state of ethical tension. Many participants remain committed to sustaining the system and recognise its economic indispensability. However, commitment alone cannot compensate for structural deficiencies. Theoretical analysis indicates that moral economy norms must be reinforced through institutional adaptation. Social capital must be revitalised through stronger network cohesion; agency risks must be mitigated through shared oversight; communitarian ethics must be re-emphasised in participant orientation; and documentation systems must be improved to enhance transparency.

In summary, the ethical challenges confronting Ajo in Iboro community are multidimensional and interrelated. Contribution default undermines reciprocity; leadership opacity weakens trust; diminished communal sanctions reduce compliance; individualistic attitudes erode relational obligation; and inadequate documentation fosters dispute. Sustainability therefore depends upon a deliberate reconfiguration of both moral culture and governance structures. The next section will propose practical mechanisms for strengthening moral accountability and securing the long-term sustainability of Ajo in Iboro community.

Strengthening Moral Accountability and Ensuring the Sustainability of Ajo in Iboro Community

In light of the identified ethical vulnerabilities, the sustainability of Ajo in Iboro community requires deliberate structural and moral reforms that reinforce accountability while preserving its indigenous character.

Ajo groups in Iboro should adopt clear and consistent documentation procedures. Each association ought to maintain a standardised ledger capturing member names, contribution dates, amounts paid, disbursement sequence, and outstanding balances.

To minimise agency risk and concentration of authority, leadership responsibilities, particularly financial coordination, should rotate periodically among trusted members. In addition to rotation, a dual-signatory or committee-based oversight model should be adopted for fund custody and disbursement. Shared oversight promotes internal checks and balances without undermining communal cohesion.

Membership admission procedures should include structured screening based on reputation, reliability, and demonstrated financial discipline. Beyond screening, new members should undergo orientation that clearly articulates moral expectations, contribution rules, sanctions for default, and dispute resolution processes. Ethical orientation reinforces the understanding that Ajo participation is not merely a financial arrangement but a communal trust.

While indigenous systems traditionally relied on informal social sanctions, contemporary realities necessitate clearer enforcement frameworks. Each Ajo association should adopt written guidelines outlining graduated sanctions for delayed remittance, partial default, or deliberate misconduct. A small arbitration panel comprising respected community members may be constituted to mediate disputes.

Sustainability ultimately depends upon revitalising the communal ethos that historically sustained Ajo. Periodic meetings should not be restricted to financial transactions alone but should incorporate reflective discussions on trust, mutual responsibility, and collective welfare. Community leaders, religious institutions, and local associations may collaborate in reinforcing ethical values that underpin indigenous finance. By consciously nurturing social capital and relational solidarity, Ajo can adapt to contemporary economic realities without losing its moral foundation.

Conclusion

This study has critically examined the relationship between moral accountability and the sustainability of indigenous finance, with particular reference to Ajo in Iboro community. The analysis has demonstrated that Ajo is not merely a financial arrangement but a morally embedded institution sustained by trust, reciprocity,

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communal enforcement, and shared ethical expectations. Historically, its resilience depended upon dense social networks, reputational capital, and relational obligations that regulated compliance without reliance on formal legal structures. However, socio-economic transformation, urban mobility, leadership centralisation, individualistic economic attitudes, and weak documentation practices have introduced ethical strains that threaten its long-term viability.

Sustainability, therefore, cannot be secured through financial adaptation alone. It requires deliberate reinforcement of moral accountability through transparent record-keeping, rotational leadership oversight, structured ethical orientation, codified dispute resolution, and revitalisation of communal solidarity. The future of Ajo in Iboro community depends upon integrating traditional moral values with modest structural reforms that respond to contemporary realities without undermining indigenous identity.

Ultimately, this study affirms that moral accountability constitutes the indispensable foundation of sustainable indigenous finance. Where trust is institutionalised and communal responsibility is preserved, Ajo can continue to function as a viable instrument of grassroots economic empowerment. Where moral foundations deteriorate; however, even the most culturally resilient financial systems risk gradual decline.

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