

GLOBALIZATION, THE GLOBAL FINANCIAL MELTDOWN AND THE NIGERIAN ECONOMY

A.O. Gbadamosi

Abstract

This paper explores the phenomenon of globalization. The world economic order in the last sixty and more years has always featured players who do not only wish to push beyond the frontiers of their countries, the ideological view they hold regarding just how the economic order should be like, but who want to impose it across other regions of the world. This was particularly so between the 1930s and the late 1990s, when the Soviet Union and her allies on the one hand and the United States and her allies on the other were locked in an ideological warfare that was regarded as the "Cold War".

Introduction

A new world economic order has emerged since then, and with its emergence, a new set of players led as it is by the United States who won the "Cold War", the World Bank, the International Monetary Fund, the Group of Eight and other allies. But at no time has the global economic order crusade been more championed, more intensified, more ubiquitous, more alluring to others, indeed more accepted by them than it is now. Today,

globalization, the whole essence of this crusade, has become as accepted and as widely practiced as its elder political cousin, democracy. And so today, we live in an age, and in a world where nation-states ably led by their political leaders voluntarily (or is it out of duress?) pull down the protective economic walls they have built over the years in the expectation of reaping the gains of globalization for their citizens.

And indeed there are gains. There are the superficial, transient gains for the citizens of predominantly consumer nation-states, which gains actually act like a smokescreen blocking the view of the slow but progressive damage done their economies in the long run. And then, there are the real gains, the fundamental, enduring gains for producer nation-states whose economies are enhanced by the practice of globalization. In the context of the above, the theme of this, or better said, last year's (i.e. 1999) academic of management conference, "Globalization, the financial meltdown and the Nigerian economy" does not only provoke our individual thought of this subject, but does perhaps also lend something

of a significance to it at this time of our history as a sovereign nation-state turning fifty.

There are three obvious topical issues contained in the theme of this conference. This paper will first explore these separately and examine what interdependence there are among them.

Globalization

The noun globalization derives from the adjective "global", which according to the Longman Active Study Dictionary means "affecting or including the whole world." Thus global warming would mean a warming that affects or includes the whole world, global economy, one affecting and including the whole world. But phenomena affecting and including the whole world have existed for as far as history can record. What has not been existing is the new-found coinage "globalization" given to such phenomena. It is a coinage that was brought into being, should one say, at the turn of the 20th century by those who today champion its cause in the restrictive economic sense they do. Since then, scholars, researchers, analysts and writers of various persuasions but with interest in the happenings of the world economic order have been exploring this subject, pouring out their thoughts in scholarly journals and management texts.

According to Tabb (2009), globalization is a comprehensive term for the emergence of a global society in which economic, political, environmental and cultural events in one part of the world quickly come to have significance for people in other parts of the world. He says globalization describes the growing economic, political, technological and cultural linkages that connect individuals, communities, businesses and government around the world. This definition sees globalization from beyond the narrow confines of economic events. It also speaks of the interplay of political, environmental and cultural events between one part of the world and another.

Akindele, et al (2002) somewhat share this thoughts when they refer to globalization as "the process of the intensification of economic, political, social and cultural relations across international boundaries. The mention of the word "intensification" is instructive. It implicitly lends support to the view that the phenomenon now called globalization has been in existence, but only now intensified. Akindele and his co-authors hold the view that it is principally aimed at the transcendental homogenization of political and socio-economic theory across the globe, and drawing from the thoughts of Ohuahunwa (1999), they quoted the latter thus: Globalization can be seen as an evolution which is systematically restructuring interactive phases among nations by breaking down barriers in the areas of culture, commerce, communication and several other fields of endeavors.

Those said, there are writers who opine that the concept of globalization even in the restrictive economic sense in which it is mainly used today is by no means a new phenomenon. In the thoughts of Akindele, et al (ibid), this restrictive economic process of globalization had started in a small way in the nineteenth century when capital moved from Europe to open up new areas in America and Australia, mostly in the building of rail and road network systems as well as in agriculture "that would be central to the expansion of capitalism. In this respect, Onwuka and Eguavo (2007) argue in the same vein. Drawing from the work of Onwuka (1998) and that of O'Rourke and Williamson (1999), they observe that the late 19th century was a period of dramatic integration of the world economy as evidenced by the rapid expansion in world trade, the founding of the Latin Monetary Union in 1865 and the emergence of the gold standard in 1878. They opine that although the retreat into managed trade by the major trading countries between the first and second world wars dampened the outlook of global economic

intercourse, the postwar 1945 multilateralism has virtually permeated all corners of the globe.

Many other writers express similar view in their thoughts of the subject. They believe that the fundamental thrust of globalization has always been recorded in the history of trade relations distant peoples and races had in the past, as for instance, the trade relations between Africans and Europeans in the 19th century when the later, first came looking for slaves to buy in the era of slave trade and then later, raw materials to feed their fledging industries in Europe. This was also true of Asia and the Americas. Indeed, as Lockard (2009) says, to understand how globalization first took root between 1000 and 1500, it is necessary to focus on the contact between distant peoples in Asia, especially contact carried on through long-distant trade. He argues that interregional trade has been a major force throughout history because it fosters other forms of exchange, including the spread of religion, cultures and technologies.

So if globalization has such historical antecedents, why then has it not been given the kind of prominence it commands today, why then has it not been promoted and crusaded with the same passion and vehemence its proponents set about it today. The reasons have become something of a *crèche* in literatures dealing with the subject: advances in the technology of communication, in transportation, in information gathering and analysis, and all whatnots etc have been the driving forces of globalization. Advances in technology have made the cost of sourcing for information, of telecommunication and transportation in the terms of money, time and energy considerably cheap. With a touch on the keyboard of an internet-connected computer and a click on its mouse, one could explore the information world and then source for material through the internet. Today, with as less as sixty naira, one could make a two-minute call from Nigeria to the UK in contrast to fifteen

years ago when one paid close to eight hundred naira to make a similar call with NITEL's landline. So with the advances in telecommunication today, individuals living at the opposite extremes of the globe can be regularly in touch, they can exchange information in seconds and transact business in minutes.

The latter is perhaps the most striking outcome of globalization, especially in regard to increase in the volume of bilateral and multilateral trade as well as the free movement of capital in the forms of stocks, bonds, currencies and other investment capital. Tabb (*ibid*) notes that from 1950 to 2001, the volume of world exports rose by 20 times, and that by 2001, world trade amounted to a quarter of all the goods and services produced in the world. He further observes in respect of capital investment that in the early 1970s only \$10 billion to \$20 billion in national currencies were exchanged daily whereas by the early part of the 21st century, more than \$1.5 trillion worth of yen, euros, dollars, dollars, and other currencies were traded daily to support the expanded levels of trade and investment. Onwuka and Eguaven also note (from United Nations, 2001) that since 1990, increased economic cooperation has lifted the ratio of the growth of world export volume to the growth of gross world product to a range of 2.5-3 from an average of below 2 in the 1970s and 1980s. They hold that trans-national corporations with their intensive integration of production, distribution and services globally provide the impetus for this process, and that between 1990 and 2001, for instance, their stock of outward foreign direct investments (FDI) increased from 1.7 trillion dollars to 6.6 trillion dollars and in 2001 alone their sales of 19 trillion dollars were more than twice as high as world exports that year (UNCTAD, 2002a)

Onwuka and Eguaven further say that no doubt, increased trade and investment flows help countries to develop more quickly as trade

generates income and the flows enable them to increase their stock of productive capital without compromising their level of consumption. They argue that when such flows are in the form of FDI, they often improve access to international best practices in terms of managerial, marketing and technical know-how, skill acquisition and institutional deepening, and that moreover, the intangible assets of globalisation such as knowledge, technology, management knowhow and market access serve not only as essential link between national economies, but also as a catalyst for investment and enterprise competitiveness as well as complements to domestic development resources

in recipient countries (UNCTAD, 2001b).

But who stands to profit from the increased volume of transnational trade and capital investment from these advances in technology. Who stand to gain from this economic globalization? Perhaps, we should come near if not altogether get to the answer of this question if the fundamental feature of globalization is examined.

Liberalization, Deregulation & Openness

Globalisation or to be more specific, economic globalization entails all of the above. It conditions and ensures that nation-states embracing globalization liberalise their economic policy regimes, deregulate their economies and open them to the economic forces of the outside world. Akindele, et al (ibid) have observed that the implication of liberalization and greater openness is that "both domestic and foreign liberalization imply globalization, since the former brings domestic markets more in conformity with forces operating in markets abroad and the removal of administrative barriers to international movement of goods, services, labour and capital increases economic interaction among nations." With the pulling down of their economic fortresses, nation-states within the league of globalization effectively

sacrifice to a considerable extent their sovereign economic powers at the altar of benefits accruable from globalization. Only then can goods and services move across the frontiers of nation-states, can labour both in terms of brawn and brain move as does capital in terms of stocks, bond, currencies and even investment.

Movements of Capital and Investment

The latter brings us to another fundamental feature of economic globalization, that of the movements of capital and investment. As has been hinted earlier on, the advances in technology have enhanced and increased international business. Today, we hear of online banking, e-payment, e-commerce and much else, thanks to the existence of the internet and its world wide web. As has been hinted before, business information can be explored and sourced from the internet today, deeds can be brokered and business transacted between two parties without their coming physically close to each other to say nothing of knowing themselves physically. With the ease of accessing investment information, with the presence of investment friendly regimes and absence of foreign trade barriers within globalizing or globalized nation-states, foreign investment and capital movement are considerably encouraged, leading to the greater spread of multinational organizations across the globe. This has led some writers, not least Akindele, et al (ibid) to argue "that globalization is mainly a phenomenon of capital mobility" while others say it is an enthronement as well as a further spread of capitalism, a sort of triumph of capitalism over communism.

Akindele, et al further say that globalization has two prongs, the one being foreign direct investment and the other, international portfolio flows. They then submit *inter alia*:

A global economy is one which is dominated by

transnational firm and financial institutions operating independently of national boundaries and domestic economic considerations.

Interdependence

Another gesture of economic globalization is the interdependence it underpins. It makes individuals, people as well as the nation-states in a globalize world to be mutually dependent on one another. Thus what happens to the people of one nation-state economically has a bearing on the people of another nation depending on that nation-state. A case in point was the economic recession that hit Japan in the 1990s, and then spread to other Asian countries who depended on the banks in Japan to raise investment funds to build their economies, and who also relied on Japanese consumers to buy their products. Japanese banks had reduced foreign investment and purchases so that many parasitic Asian nation-states at the time stumbled and crashed.

In turn, this led to many foreign investors to withdraw their investments in utter panic so that these countries became worse off for the Japan's recession. Thus globalization intricately links one nation-state to another, such that the happening in one has a knockon effect on another. As the article titled, *Life in the Global Market Place*, in *Microsoft Encarta Premium (2009)* simply puts it, "the world is linked as never before due to advances in communication and transportation, and due to trade agreement that have lowered or eliminated barriers to the exchange of goods". Today, distant events often have an immediate and significant impact, blurring the boundaries of our worlds (Tabb, *ibid*).

The above feature of interdependence gives us a clue as to who stands to gain in this whole doctrine of economic globalization. It reveals that only those nation-states who economically depend on each other, who have strategic economic resource

and competence so vitally needed by one another can really and mutually depend on one another, and therefore stand to gain from globalization. If one nation-state vitally needs the resource and competence of another nation-state without it having its own strategic economic resource and competence equally and vitally needed by that, or any other nation-state, it does not stand to benefit from globalization. The trade barriers in that country have been lowered if not removed completely, just as it has lowered or perhaps completely removed the foreign trade barriers in its own country. But whereas it can allow its country to be flooded with goods and services of that country, or any other which its people have grown accustomed to using, and therefore have become vitally needed by them, it has no such strategic economic resource and competence of its own that are vitally needed by such or other countries, and therefore none to ship and export to them.

It needs to be stressed that if a nation-state does not have a strategic economic resource and competence vitally needed by other nation-states, like it needs those of others, it cannot affect the balance economic power, cannot flex muscles, is not relevant and is not a strategic member of that league of nation-states. In the light of the above, where do we place African nation states or Nigeria in particular? Where do we place the United States of America? Where do we place Western European nation-states? Where do we place Asian and South American nation-states? Do African nation-states have the unique, strategic economic resource and competences vitally needed in the US or China or Japan or any of the Western European nation-states as African nation-states do need theirs? In other words, are these nation-states as economically dependent on African nation-states as the latter are dependent on them? Do these nation-states vitally need African nation-states' primary products as they vitally need, their computers, hummer jeeps,

E-series and blackberry cell phones and all the other advances of technology coming from Japan, China, U S, the European Union and other? Do African nation-states have the wherewithal to channel capital abroad, not for the purpose of stashing it in the vault of a Swiss or any other bank abroad, but to invest it in foreign countries as for example, when Chinese investors come to establishing in Africa, America, Japan or India? Do African-nation states have multinational dotting the countries of Asia, Europe, the Americas, Australia and New Zealand?

To put it straight forward, more specific, sub-Saharan African nation states given their states of economic development now, are for the most part consumers of the economic resources and commodities of developed economies. Whatever African nation-states stand to gain in an economically globalize world at the present time is from a utility standpoint, from the satisfaction derive from being the consumers of products, services and technological advances brought about, promoted and championed by the human resources of developed nation-states across the world. To be the principal consumers of posh cars and jeeps, of the latest brands of computers and cell phones, of the ease of exploring and viewing the world through the internet and satellite TV is not a globalization gain that friendly speaking, African nation-states should be proud of when at the same time they do not have, nor can their human resources produce and command strategic economic goods and services vitally needed by other nation-states.

Global Economic Meltdown

The global economic meltdown or global financial crisis is a direct offspring of globalization which has received adequate attention in terms of its definition, scope, nature and dynamism above. The fact that the economic crisis which began in the United States in September, 2008 spread like wild fire across the globe leaving in its wake dire

consequences reaffirms the linkages that characterizes the modern world more than any time in the history of man. This section of this paper provides a critical analysis of the global financial crisis and its impact on the Nigerian economy. It is strongly believed that keeping abreast of the developments in other parts of the world will enable countries to plan and develop their domestic economics. As Oyesola (2010) observed, "without effective intervention, the crisis rocking the global economy could transform Nigerians longstanding economic problems into a social crisis" or even political crisis.

Origin of the Global Financial Crisis

Before attempting an analysis of the impact of the global economic credit or financial crisis, we must get at the root of the crisis. Many experts and scholars have attributed the causes of the global financial crisis to myriad causes. These include excessive and corrupt practices of sub prime mortgage lending (which led to high mortgage default and delinquency rates in the United States); George W. Bush, "hands-off approach to regulation" (greed and unregulated capitalism); massive funding of the war on terror and the erroneous belief that "free market" principle is perfect, fair and efficient. (The New York Times, November, 20, 2008). While some analyst like Daniel Kaufman maintains that "corruption is not unique to developing countries, nor have it decline on average.... As a country becomes industrialized, its governance and corruption challenges do not disappear. They simply morph and become more sophisticated. Transfer of a brief case stashed with cash is less frequent", but high level political corruption or "state capture", exists even countries like the US. In such cases, powerful companies and individuals use "high level bribery, lobbying or influence peddling" to bend regulations, policies and laws of the country in order to achieve private benefits. Although Kaufmann admits the existence of multiple causes

of the latest financial crisis, he however maintains that the element of "capture" in the systemic failures of oversight, regulation and disclosure in the financial sector cannot be ignored in collapse of the capitulation of giant companies like Freddie Mac, Fannie Mae, AIG, Country Wide Financial etc.

The origin of the global financial crisis has also been traced by some scholars and public commentators to the tech or dotcom bubble of the late 1990s. In the year 2000, the US stock market went into a steady decline which resulted into a recession that engendered the intervention of the Federal Reserve in 2001 to reduce interest rates as part of measures to curb economic mishap. According to the New York Times:

Lower interest rates make mortgage payments cheaper, and demand for homes began to rise sending prices up. In addition, millions of homeowners took advantages of the rate drop to refinance their existing mortgages. As the industry ramped up, the quality of the mortgages went down. And turn sour they did when buyers home had to leverage themselves to hilt to make a purchase. Default and delinquency rates began to rise in 2006, but the pace of lending did not slow. Banks and other investors had devised a plethora of complex financial instruments to slice up and resell the mortgage backed securities and to hedge against any risk so they thought.

By June, 2007, the first sign that the U.S was gradually entering into a period of financial crisis emerged when two hedge funds owned by Bear Stearn which had invested heavily in the sub-prime market collapsed. Like a chain reaction, banks watched helplessly as securities they thought were safe were tainted with what was known as toxic mortgages. Before the end of the year 2007 the rising number of foreclosures helped to speed up

the fall of housing prices, and the number of prime mortgages in default rose considerably.

Between September, 2008 and the summer of 2009, the credit squeeze which began some months before had become Wall Street's biggest crisis since the Great Depression of the 1930s. Like a hurricane, the people and United States governments watched as hundreds of billions of mortgage related investments sunk leaving giant investment banks like Lehman Brothers and Merrill Lynch to collapse or reinvent themselves. American International group, CIT group, auto giants like General Motors and Chrysler were few of the worst hit firms in corporate America.

Following the Federal Government bailouts arrangements to rescue troubled banks, and other companies in October, 2008, to stem rising unemployment and avert social disintegration, the financial crisis had become a global phenomenon, first affecting many countries in Europe, East Asia, Latin America, the Middle East and Africa. As the crisis deepened, stock markets plunged from one country to another while some few countries had to be hurriedly pulled back from the brink of total economic collapse. The global economic meltdown affected national income, budgets, exchange rates, interest rates, and economic growth of many countries around the world thus confirming that the world has truly become a "global village" in which events in one country may send ripple effects to countries thousand of miles away.

The Global Economic Meltdown and the Nigerian Economy

If consideration is given to the differences in the economic, social, political and cultural settings of individual countries, it would be discovered that the impact of the global financial crisis vary from one country to another. While the effect in some countries can best be described as mild, it affected

some other countries so much that they were threatened with instability and had to resort to external assistance before normalcy could be restored. In Nigeria, there was genuine apprehension from social critics, economists, businessmen, journalists and even the so called "ordinary Nigerians" about the impact of global economic meltdown which they fear may worsened the economic problems the country has been experiencing since the 1980s. In attempts to allay the fear of Nigerians, government officials like the Governor of the Central Bank of Nigeria at the time, Prof. Charles Soludo had to state publicly that the Nigerian economy would not suffer serious adverse impact of the global economic meltdown because of its low integration into the global economy (Vanguard, October 20, 2008).

The Governor of the CBN also went as far as reassuring the public and even the legislature that "all Nigerian Banks are safe" and promising that the CBN would do whatever that is necessary to keep the banks healthy (This Day, November 1, 2008). But as events turned out political and economic leaders realized lately that Nigeria had not escape the negative effects of the global financial crisis. In fact, the Senate President, David Mark alleged recently that the former CBN governor, Prof. Chukwuma Soludo, did not tell Nigerians the true status of Nigerian banks at the start of the global financial meltdown in 2008 when he said that, "we have found ourselves where we are today as a result of one thing: the Central Bank's inability to supervise the banks properly." (Abdul-rahman Abubakar and Turaki A. Hassan 2010)

In order to know how and when the Nigerian economy got infected by the global financial meltdown, we have to go back in time to the Soludo years as Governor of the CBN when the banks were ordered to consolidate to a minimum net shareholders fund or capital base of N25 billion with a condition that any bank that failed to meet up

with the minimum recapitalization by 31 December 2005 will cease to exist. With this order, almost all the banks became guests of the Nigerian capital market in their bid to meet up without due consideration for financial risk and the human capacity to manage such funds.

By the time the recapitalization policy was completed, the number of banks had been reduced from 89 to 25 through merger and acquisition methods. Fourteen of the hitherto existing banks that were unable to find merger, partners or acquirers and unable to meet up with the recapitalization condition alone had their operating licenses revoked. Shortly, after the banking consolidation exercise, the CBN promised any bank that could build up its shareholders funds to \$1 billion the opportunity to manage some of Nigeria's our foreign reserves. It was this latter development that triggered off a second round of consolidation exercise though at a much lower level than the first.

With this promise, many banks began visiting the capital market in attempt to make additional funds. Indeed, some of the banks even visited the capital market three times between 2005 and 2008. While this was on-going, it is unlikely that these banks were required to show proof of how they utilized their previous funds before they were cleared for additional funds raising. According to Kusunju Garba Kurfi, this state of affair "led to a situation where our Banks found themselves accommodating a lot of funds over and above what they could comfortably manage - even above their immediate requirement: all these in a bid to meet certain criteria that may not even have been part of their strategy of immediate needs." With large amount of funds that were perhaps not initially planned for, and lack of proper monitoring by regulatory bodies in ensuring that the purpose for which funds were raised, as specified in the

Offer documents were met, the banks threw their risk element cyclically away by concentrating on easy profit making ventures.

In the words of Kurfi:

most banks got involved in margin facilities whereby they invited customers to take up margin loan facilities using the shares bought with such monies as collateral to the loans. Both the banker and customer failed to appreciate or understand the financial risk inherent in such deals. Surprisingly, every other bank followed suit in this new found avenue for a supposedly idle funds. This exercise saw the sum of N1.5trillion being invested in the capital market, all in the name of margin facilities. Some banks used their subsidiaries to buy their own shares and also give money to their relatives, directors and associates to play the capital market.

Had there been the usual systematic risk appraisal in banking and financial management where inherent risks are highlighted and mitigating factors subjected to the crucial acid test, such decisions would not have found suitor with banks management.

In other words, if the banks had taken proper precaution or risk analysis they would have envisaged a crash in the share prices used as collateral and the banks' would have made attempt to safeguard their shareholders fund, especially for individuals and non institutional investors who do not have any other thing the bank could fall back to in the event of the loans going bad. With this development the stage was set for the Nigerian version of the global financial meltdown which manifested in bank failures and stock market crash.

Another impetus to the reaction of the Nigerian

economy to the global economic meltdown was when the return of 75% by the All-Share-Index of our capital market for the year ended 31st December 2007. This attracted many local and foreign funds into the Nigerian capital market which went on to be rated as the best in the world in 2007. Indeed, it was estimated that over \$6billion was invested by the hedge fund managers for speculative trading. In addition, the reduction of inflation and interest rate to a single digit by the CBN also encouraged our bankers to gamble with depositor's money in the capital market. By April 2008 the All-Share-Index have reached an all time high of more than 12,000 basis point while our market capitalization climaxed to over N12.3trillion.

Perhaps in a belated attempt to regulate, in April 2008, the CBN issued a directive to banks to stop margin loan facilities though it was later denied. Around the same time, hedge funds managers began gradual withdrawal of their investments to lessen the credit crunch in their home countries. This led to dumping of shares in the Nigerian Stock Exchange and thus the seed of the stock market crisis in Nigeria was sown. After losing N5.2 trillion in market capitalization and 54 percent in the All Share Index just a year after it had emerged as the world's best performing stock market in 2007 with a return of 74.9 percent, the Nigerian capital market earned the unenviable accolade as one of the world's worst performing stock market in 2008. (www.articlebase.com)

Apart from the stock market crises, the looming banking crisis was actually delayed by the opening of the Expanded Discounted Window (EDW) to prevent bank failure as some of the banks were already unable to meet up with their daily demand by depositors. Unfortunately, some banks misused the opportunity by taking the EDW as a permanent source of funding, instead of disposing some of their assets; adopt cost-cutting

measures; and conservation of cash in their day-to-day operations.

By October, 2008 the new Central Bank had to intervene by directly sanitizing the banking sector.

Because of the banking crisis and stock market crashes, economic development and growth of Nigeria declined significantly. By the time the oil price was adversely affected, all the doubting Thomases about the spread of the global economic meltdown to Nigeria have no reason to continue to deny its reality. The price of oil, the mainstay of the Nigerian economy fell from \$147.00 to \$35.00 per barrel as a result of lower demand by the developed economies due to global melt down. Since the United States, whose ailing economy triggered off the global economic meltdown, had to reduce its import of Nigeria's crude oil, the country too suffered from lost of revenue.

As a result of the fall in revenue from oil, the budget so affected that many capital projects outlined by the Federal, State or Local Governments were either postponed or cancelled. The Excess Crude Oil Reserve was redistributed to augment the revenue shortfall. In addition, Niger-Delta militant crisis reduced the output of daily production of oil by 50% or more. With all these, the exchange rate that was stable between 2006 and 2007 was no longer sustainable by the end of the first quarter of 2009 as the naira was devalued by more than 35%. Indeed, inflation rate that had been brought down to a single digit increased to almost 15% as at 31st December 2008.

Another impact of the global economic meltdown on the Nigerian economy is the reduction in the inflow of foreign currencies from Nigerians in Diasporas which was estimated to be over \$8 billion before the credit crisis. In the US states and many western countries where many Nigerians resided

and worked, it is most likely as foreigners they were in most cases the worst affected group. High unemployment would no doubt lead to inability of Nigerians in Diaspora to remit money to family members in Nigeria. The remittance of Nigerians who are based abroad may not be a significant proportion of the country's foreign exchange earnings, but the fact that many families or businesses are supported through such monies meant that the global economic meltdown had taken its tolls on both the macro and micro economy of the country.

As a direct result of the liquidity crises in the economy, particularly in banks, many firms drastically cut down their staff strength or review salaries and emoluments down by as much as 50% or more.

Conclusion

In conclusion, globalization made it possible for the interconnection or linkages among the economies of the world, thus the global financial meltdown found its way into the already depressed Nigerian economy. The crash of the once vibrant capital market and the near collapse of the banking sector are manifestations of the Nigerian version of the global economic meltdown. As long as Nigeria remains a mono product export economy, with crude driving productivity in the formal sector of the nation's economy, the Nigerian capital and indeed economy will continue to respond negatively to any "meltdown" or "crash" in global economy. Similarly, any time the regulatory bodies fail to act when they should, banks and other financial institutions like the capital market would take undue advantage of their negligence.

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