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Global Financial Crisis: A Challenge to Poverty Alleviation in Nigeria

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Abstract
The current global financial crisis and the risk of global recession have heightened significantly the volatility of commodity prices, which is the mainstay of most developing countries like Nigeria. This study therefore, examined the influence of the Global Financial Crisis on Nigerian economy. The study adopted descriptive survey design. It was discovered that the financial crisis will cause fall in commodity prices, decline in export, lower portfolio and FDI inflow, fall in equity market, and decline in remittance from abroad etc. Developmental goals will be unachievable with less budgetary allocation to social services, thus pushing a greater number of people further into poverty. The paper recommends thus; government should empower multinational institutions, introduce rapid industrial revolution, maintain trade openness and finance system, donors should scale up aids to deliver on their commitment, and government should double effort towards human development goals, ensure adequate monetary and fiscal response, and develop strong political will to diversify the economy. These measures are required to shore up liquidity in the economy and thus keep it working the development of the economy: agriculture, tourism and infrastructure.
Keywords: Economic development, GlobalFinancial Crisis, Socio-economic development, Poverty alleviation, Nigeria

INTRODUCTION

The world is facing its worst recession since the 1930s. Typically, the financial crises erupted in different countries and the regions since 1980s like Mexico and Argentina's financial crisis and South East Asian countries' financial crisis in 1997. But these crises did not spill over the boundaries. In September 2008, it sparked off in the USA, Europe and Japan and simultaneously proceeded towards the developing countries. The transmission of the economic downturn from rich to poor countries has occurred through a number of channels. This global crisis has put pressure on all important sources of external revenues for developing countries - exports, remittances, foreign direct investment, portfolio equity flows and aid– with significant effects on the real economy, which has further feedbacks between the real and financial sectors.

The World Bank estimates that developing countries face a financing gap of \$270-\$700 billion depending on the severity of the economic and financial crisis. Almost 40 percent of 107 developing countries were highly exposed to the poverty effects of the crisis and the remainder was moderately exposed, with less than 10 percent facing little risk. The Institute of International Finance estimates that global financial flows to developing countries will decline rapidly from roughly US\$ 1 trillion in 2007.Following the dramatic worsening of the financial crisis since September 2007, growth of the developing countries slowed. This is the first decline in total world production since the 1930s, and its impact is magnified in trade.

The credit crunch experienced by lending (particularly bank) institutions affects businesses that require short- and long-term money, including banks lending to corporate organizations as well as inter-bank short-term lending. In a country like Nigeria, where mortgages and credit card purchases are not well developed, this credit crunch became manifest in weakened risk assets of banks that had given out loans to some investors to invest in other financial instruments (particularly secondary market purchase and initial public offerings – IPOs), in the hope of making quick returns through a quick turnaround of their portfolio.

In this age of globalization, the global economy is wholly integrated and interdependent. No country is immune from the boom - burst cycle of the global capitalist economy. In the first half of the decade, the boom in the United States coincided with and was fuelled by rising prosperity and economic expansion in Asia especially in China and India; as well as in Latin- America. In Africa, the economy witnessed growth by the boom in the commodities market and more rational economic policies (Aluko-Olokun, 2009).

With major banks especially in Europe involved in investing in the sub-prime portfolios coupled with the integrated nature of the global economy, it was only a matter of time for the rest of the world to experience the financial crisis that swept across the United States. The economic tsunami came as expected and the global economy is in fluctuation. The cliché "when America sneezes, the rest of the world catches pneumonia" is instructive in this regard.

The paper is organized into four sections. Immediately after the introduction is section two, which examines the theoretical explication underpinning the global economic crisis. Section three is on the impact of the global economic crisis on the Nigerian economy. Section four is on conclusion and recommendations.

THEORETICAL EXPLICATION

The current global economic crisis has put the global capitalist system and ideology of free market under severe attack and its advocates on the defense. Of interest is the fact that the crisis had its origin in the United States of America, the nerve centre of the free market; the hallmark of capitalism. The debate is raging as regard the relative suitability of capitalism and the market to guarantee sustained global economic growth and development. The advocates of state intervention in economic development are no doubt celebrating the "victory". To them, the advent of the financial crisis marked the triumph of their 'unpopular' view of the centrality of the state in economic development. The state is fundamental to the economic development of the state.

Capitalism is an economic system that is premised on free enterprise in which the "Invisible Hand", that is the forces of demand and supply; determines the prices of goods and services. Capitalism detests state intervention in the economic sphere of the state. The aim was to remove obstacles to free movement of capital, trade, investment, production, labour and economic activities which government policies and bureaucracy might introduce. The limited role for the state as it relates to the provision of internal and external security was to ensure that the government does not become 'too big', wasteful and inefficient in the running of the economy.

The position of capitalism as it relates to the non-interference of the state in the economic development amounts to sheer arrogance. This is because the relationship between the state and economic development is the most fundamental in society. Nnoli (2003) rightly argued that in reality, when and where the bourgeoisie is weak it always uses the state to reduce its risk and increase its profits. Only when the bourgeoisie is strong and full of confidence in its power to overcome obstacles by its economic superiority alone does it freely denounce all state interventionism and seek to cut the state's economic activities down to a minimum.

The market economy is hinged on neo-liberalism. To that extent, the economy should be free from government intervention and regulation. This will enhance the efficiency and stability of the economy (Katsuhito, 2008).

The implications thereof are far reaching. One, it suggests the collapse of market fundamentalism. It has put to pay the argument surrounding the "self regulating and self correcting" mechanisms of the market, (Dembele, 2009).

The impact of globalization in the global economic crisis cannot be ignored. Globalization is driven and propelled by global capitalism and neo-liberalism. But globalization is not possible without liberalization. Liberalization refers to the process of removing all obstacles to free movement of enterprise, capital, labour and goods across international boundaries (Onyekpe, 2004). Globalization has broken down borders, increased interdependence of nations and integrated the global economy as never witnessed in history (Aluko -Qlokun, 2009). The implication is that no one country is immune from the boom and burst in any segment of the global economy.

In this regard, Glaeser (2009), analysis of the crisis in his article "A failure of Regulation, Not Capitalism" is relevant and plausible. To him, the crisis represents a failure on the part of all the stakeholders in the economic system; the governments, financial regulators and investment managers.

Economic theory that explained financial crises include among others **the World systems theory** which explained the dangers and perils, which leading industrial nations will be facing (and are now facing) at the end of the long economic cycle, which began after the oil crisis of 1973. Positive feedback implies that there may be dramatic changes in asset values in response to small changes in economic fundamentals. The theory explain that financial fragility is a typical feature of any capitalist economy and financial fragility levels move together with the business cycle.

THE CONCEPT OF FINANCIAL CRISIS, POVERTY ALLEVIATION AND SOCIO-ECONOMIC DEVELOPMENT

The term financial crisis is applied broadly to a variety of situations in which some financial institutions or assets suddenly lose a large part of their value. In the 19th and early 20th centuries, many financial crises were associated with banking panics, and many recessions coincided with these panics. Other situations that experienced financial crises include stock market crashes and the bursting of other financial bubbles, currency crises, and sovereign defaults (Kindleberger and Aliber(2005) Laeven and Valencia, (2008).

Popular explanations among modern social scientists treat poverty as an aspect of social pathology. Since the term pathological is used to describe an abnormal condition of deviation from the average or the prevailing type rather than from an ideal condition, such a concept obviously arises within a society whose economic development has sufficient quantity of the products necessary for its wellbeing. Social thoughts and popular opinion have gradually shifted from a fatalistic to a critical point of view towards poverty, its meaning, its causes and effects. The religious or fatalistic explanation of wealth as a gift from destiny and of poverty as a visitation and punishment was useful as consolation for the poverty – stricken individual or group. Poverty therefore exists when an individual lived below USD 1 per day. Poverty Alleviation on the other hand involves measures taken to reduce or totally eliminate the scourge of poverty.

Akerele-Ale (1998:14) stated "poverty is also one of the potent causes of its own persistence since many elements of the poverty situation jeopardize the nation's economic performance and hinder economic growth. (This, of course, is to the extent that inadequate national economic performance, especially economic growth, is an important factor in the causation of persistence of poverty)." In terms of countries, Nigeria cannot be considered to be poor because it has enough, which if well distributed, could eliminate poverty in the country. Given the present understanding that poverty goes beyond material and capabilities deprivation, it is acknowledged in the literature that business as usual will not eliminate or reduce poverty. In other words, poverty reduction requires more than just delivering money and advice.

Socio-economic development is a key concept central to any problem of change in the socio- economic sphere. Its significance is aptly expressed by Stemplowski (1987: 5), who states that "the concept of development Socio-economic development embraces changes taking place in the social sphere, mostly of an economic nature. Hence a more apt term for the change and the development is 'change and socio-economic activity".

METHODOLOGY

The methodology used for this work is the content analysis. The work relies on documentary data gathered from official and non-governmental publications, journals, books and conference papers, and many published materials. The data assembled were examined to draw inferences and conclusion on the result of the work. The work used a qualitative research methodology for data analysis content/ analysis to examine global financial crisis on global financial crisis: a challenge to poverty alleviation in Nigeria.

CAUSES OF THE GLOBAL FINANCIAL CRISIS

How did the world get to where it is right now? Many accounts have been given for the global financial crisis. One such account is that by Kategekwa (2008). According to her, "the world economy is at crossroads." She observed that, "a financial meltdown of the world's largest banks from Lehman Brothers to Merrill Lynch, is sweeping across North America to the UK, to the Benelux countries, France, Germany and others." Kategekwa (2008) traced the foe to the ideology that surrounds full-scale capitalism. In her words, "the fact that governments should wash their hands off regulating the economy, leaving the forces of demand and supply to move freely, and meet at equilibrium, where resources would be efficiently utilized" partly accounts for why the Central Banks in the world's most developed capitals failed to see the 'time bomb' waiting to explode. In reality, the financial crisis has proved that governments cannot let demand and supply alone determine business, enterprise and even development considerations.

According to (Khor 2009), "in the past it was thought that the market is self correcting and should be left to itself to function." He noted that the crisis is often seen "as a hindrance to the fight against climate change, since the economy may be seen by many as becoming a bigger problem than the environment." In considering the importance of the state and its policies and actions, Khor also noted the policy climate "for rethinking how to re-engineer our global economy and our national economies towards sustainable development in which we can combine development for our people's welfare, with environmentally sound production and consumption patterns" (Khor2009).

Tandon (2008) has highlighted some lessons concerning the global financial crisis for the South. First "is that contrary to mainstream thinking, the market does not have a self-corrective mechanism" This suggestion that government cannot wash its hands off regulating the economy is in tandem with the arguments by Kategekwa(2008) and Xhor (2009). The second lesson is that *people matter.* However, according to him, there is a difference between the North and South. In the North the people wait for elections, and are on the side-line passively waiting for the politicians and bankers to decide their future. In the South the people go instantly to the streets - they take matters in their own hands. The people in the South also bring abrupt changes in government (including military coups), and sometimes 'vote with their feet' and migrate to neighbouring countries or to the North. The third lesson is that, the crisis is endemic to the capitalist system. In allusion to Walden Bello of the Focus on Global South, Tandon notes that the roots of the crisis lie in the overproduction of capital and under consumption by the masses.

On his part, Spencer (2008) attributed the global financial crisis to incoherence and a failure of the international financial architecture and trade policies pursued by the countries of the North over the last three decades. In his views, the social impacts of this challenge include a massive rise of unemployment, natural disasters that have thrown millions below the poverty line, and hunger and malnutrition in the society.

The Cuban revolutionary leader, Fidel Alejandro Castro Ruz (2009) has also made some account on the global financial crisis. Ruz says it is a crisis of both super-production and under-consumption. In his words, "the corporations indebted far beyond their possibilities; the state also indebted above its possibilities" while facing up not just without increasing taxes but cutting them. In the meantime, according to the Cuban leader, "the people are systematically encouraged by commercial advertising to go into debt to maintain exorbitant, irrational and wasteful levels of consumerism." In addition to the structural causes mentioned above, Ruz (2009) also identified the accelerated financing of the economy and the irresistible tendency to enter speculative operations that are more and more risk-laden.

Addison. Arndt and Tarp (2010), in their argument, drew a linkage between the global financial crisis, climate change and food crisis. According to them, the financial crisis is one of the three global crises that interact to "undermine the welfare and prosperity of present and future generations." Simultaneously, climate change remains unchecked, with the growth in greenhouse gas emissions exceeding previous estimates. This is the second crisis. Finally, malnutrition and hunger are on the rise, propelled by the recent inflation in global food prices. This constitutes the third crisis. These three crises interact to undermine the prosperity of present and future generations, with implications for international aid and the need for concerted action. In the same vein, Federspiel (2009) argues that "the dramatic price increases in 2008 was the culmination of increased food prices over the last two to three years caused mainly by increased wealth in the emerging economies and growing populations in the developing countries."

Taking a clue from the above discussion, it can be inferred that the reasons for this crisis are varied and complex, but largely it can be attributed to a number of factors in both the housing and credit markets, which developed over an extended period of time,(Stiglitz, 2008). Avgouleas (2008) Taking the views of the various commentators into consideration, the current financial crisis is caused by the following factors -

Liberalization of Global Financial Regulations is one reason for the crisis. The regulatory model adopted by banks in the US emerged as a result of liberalization of banking business in the early 1990s and international consensus reached within the Basle Committee of Banking Supervision as regards the acceptable model of prudential supervision of banking institution (Scott, 2008 in Abubakar, 2008). This liberalization facilitates the global abolition of restrictions on capital flow in the 1990s and caused the operation of international investment funds to be largely unregulated.

Another cause is the *Boom and Bust in the housing market.* A combination of low interest rates and large inflows of foreign funds help create easy credit conditions for many years leading up to the crisis. Due to low interest rates and large inflow of foreign fund, subprime lending/borrowing for investment became very attractive in both US and the UK. Since the demand for housing was rapidly rising in the US, most investors and homeowners took mortgaged loans and invested in housings. The overall US home ownership rate increased from 64% in 1994 (about where it was since 1980) to peak in 2004 with an all-time high of 69.2%.

Furthermore, *Speculations* is also one of the causes of the crisis. Traditionally, homes were not treated as investment like stocks, but this behaviour changed during the housing boom as it attracted speculative buyers. This makes speculation in real estate a contributing factor. During 2006, 22% of homes purchased (1.65 million units) were for investment purposes – it means that nearly 40% of home purchases were not primary residences (wikipedia, 2008). This speculative buying makes housing prices to fall drastically.

High-risk loans - There appears to be widespread agreement that periods of rapid credit growth tend to be accompanied by loosening lending standards (Dell'Arriccia, Igan and Laeven, 2008). For instance, in a speech delivered before the Independent Community Bankers of America on 7 March 2001, the then Federal Reserve chairman, Alan Greenspan, pointed to 'an unfortunate tendency' among bankers to lend aggressively at the peak of a cycle and argued that most bad loans were made through this aggressive type of lending (IMF, 2008). Without considering high risk borrowers, lenders give 'Ninja loans' - high-risk loans to those with No income, No job, and no Assets. They also give home loans to immigrants that are undocumented (Wikipedia, 2008).

Government policies - some critics believed that the crisis was fuelled by US government mortgage policies which encouraged trends towards issuing risky loans. For instance, Fannie Mae Corporation eases credit requirements on loans and this encourages banks to extend home mortgages to people that do not have good enough credit rating

EFFECTS OF GLOBAL FINANCIAL CRISIS ON NIGERIAN ECONOMY

The World Bank President, Robert Zoellick notes that, "the financial crisis that grew into an economic crisis is now becoming an employment crisis, and in the coming months, for some, it will become a human crisis." (Onuorah, 2009). One of the implications of the global financial crisis for the Nigerian political economy is reduced volume of crude oil export. The oil price decline (from a high of almost US$150 per barrel to US$50 per barrel) points to the downside of a mono economy, whose price of one commodity that it exports is at the mercy of the international markets (Chiedozie,2008). Though the price of crude oil recovered and shut up above the budget bench mark of US45 per barrel, the fact that the Organisation of Petroleum Exporting Countries (OPEC) cut Nigeria's quota to 2.05 million barrel per day, and the activities of the militant in the oil-rich Niger Delta, reduced the production level to an average of 1.8 million barrel per day while the budget was predicated on oil production of 2.292 million barrel per day. The difference between the budget bench mark and the actual price obtained is no longer enough to compensate for the drop in the volume of crude oil production (Gabriel 2010).

Today the 2016 national budget was anchored on $38 per barrel bench mark.

Another implication of the crisis for the Nigerian political economy is eroded confidence in the financial sector. The evidence suggests that the economic worries of the country were added to by the banking reform which by its nature of implementation eroded confidence in the financial sector. As noted by Gabriel (2010), since 14 August 2010, banks have not only reduced lending to the private sector, they have sent 10, 000 of the industry's work force into the already congested labour market. Industries have either reduced capacity utilization or have closed down completely. Previously Nigeria was the preferred portfolio investment destination, but today foreign investors have not only divested from the nation's capital market, but many have moved their investments to neighbouring countries. Secondly, the economy is facing what Gabriel (2010) calls 'financial haemorrhage' as individuals and corporate bodies are moving funds massively out of the country as well as from naira to dollar. As reported by Gabriel (2010), between 22 January 2010 and 5 March 2010, a total of $6.734 billion went out of the country. While about US383 billion went out in the week ending 22nd January 2010, the amount of foreign exchange flowing out of the country rose to US$1.457 billion for the week ending 4th February 2010. Also, capital out flow from the country further rose to US$1.740 billion for the week ending 12th February 2010 and moved downward to US$1.091 billion for the week ending 26th and a little further down to $1.061 billion on the 5th of March 2010. This has resulted in the crash of interest rates in the money market. Bank treasurers have attributed the crash of interest rates to the ongoing CBN reforms where over N600 billion of bank deposit is in the Central Bank of Nigeria (CBN) vault at one per cent interest rate as banks have refused to lend just as investors are holding back their investment decision. The movement of funds out of the country comes by way of Nigerian residents buying up dollars with their Naira and moving it off shore. The trend became noticeable in October 2009 where in fact in a matter of weeks several billion of dollars were purchased through the banks, bureau de change. Available figure suggests that during the five weeks period a total of $4.648 billion were purchased through the CBN Dutch auction while a total of $1.344 billion were done through direct remittance by the CBN. Of the S6.734 billion that went out of the country through official means only US$100.339 million had letters of credit backing. This suggests that the bulk of the out flow was capital flight. The movement of funds is also in travels, namely: business travel allowance, personal travel allowance, direct remittances, etc. According to data obtained from CBN, the total amount of foreign exchange that went out through travels amounted to US$72.067 million, Debt service/payment US$799.194 million.

Another implication of the crisis is that the three tiers of government currently contend with reduced monthly allocation. This is a pointer to the fact that the country may be cash-trapped. For the greater part of year 2009 and early 2010, funds from the excess crude account were used monthly to support the budget. In May 2010, the excess crude account was reported to have been grossly depleted to the tune of $4.8 billion. This can hardly support the regular monthly allocation to the three tiers of government in the country. Thus states as well as local government councils are faced with the stark reality that they may not be able to sustain their budgets without the federation account allocation. As a rule, the money from excess crude account ought to be disbursed if price fell at the international oil market consistently for three months below the budget bench mark to augment the short fall (Gabriel 2010).

It is also important to mention the staggering cost of governance. As noted by Emenike (2009:14), Nigeria's political office holders, including state governors, legislators, and senior public servants lived like monarchs of the 16th century before the crisis. Arowolo (2008:95) reminds us of how ‘the lawmakers allow public funds to be wasted or mismanaged and later conduct investigation into the rampant plunder of public funds’. Whereas, the staggering cost does not include the cost of services such as health, education and pensions, the current dismal oil outlook provides a challenge for the government to keep financing its bogus machinery. Therefore, continuing with the bloated apparatus of patronage erected over the years (Arowolo 2008) means cutting down on important social goods and services. On the other hand, to provide social goods and services signals the end of profligacy in the corridor of power (Kolapo2008:64). Otherwise, how does one explain non-priority capital outlays such as the acquisition of new vehicles and the construction, furnishing of new headquarters of MDAs and multi-million naira renovation of houses not previously captured in the budget? (Enogholase 2009:12

Amidst the turmoil in the global economy, the impact on the emerging and developing economy, particularly in Africa has been devastating and dramatic. Evidence shows that the global recession is worsening poverty, employment, Foreign Direct Investment (FDI), aid flow, production, trade and economic growth in Africa. Juan Somavia, the ILO Director General (2008) revealed that the global economic crisis is expected to lead to painful cuts in the wages of millions of workers worldwide in the coming years. For the world's 1.5 billion wage-earners, difficult times lie ahead. Slow or negative economic growth, combined with highly volatile food and energy prices, will erode the real wages of many workers, particularly the low-wage and poorer household. Similarly, Aluko- Olokun (2009) reveals that the World Bank estimated that 53million more people will be plunged into poverty as a result of the economic crisis.

GLOBAL FINANCIAL CRISIS AND THE OIL SECTOR IN NIGERIA

The changing international oil market poses grave concerns for Nigeria's fiscal outlook. The global financial crisis has led to slow growth across the world's economies, resulting in lower demand for commodities, especially oil. This impact has been transmitted through several sources to the Nigerian economy, especially through: impact earnings and revenue; falls in the naira exchange rate; the balance of payments through narrowing of the surplus on the current account balance; the capital account through reduction in capital flows because of reappraisal of planned investments or complete stoppage of previously committed programmes of investment; and contraction of fiscal space for policy. The adverse impact of global recession is beginning to be fully appreciated across the globe. The adverse effect of the crisis is more evident and direct on the international oil prices. The recent movements of the prices of oil are apparent in their unprecedented records highs of USS147 in 2008 to less thatUSS47 per barrel in the recent years. The global economic crisis has resulted in about 82% decline in basket price of crude oil prices. Demand for crude oil in the US and Europe has dropped and may not grow beyond its current level. As a country whose earnings and expenditures are tied to the prospects from oil, how can we say that the financial crisis has not and is not affecting Nigeria? As a matter of fact, the financial crisis will most likely further intensify the search by many developed countries for alternative and cheaper sources of energy. Usually, oil shocks are defined in terms of price fluctuations, but these may in turn emanate from changes in either the supply of or the demand for oil. In practice, it is unlikely that demand will grow rapidly enough to cause a price shock, unless it is motivated by fears of supply shortages. The supply side has been primarily responsible for observed oil price shocks, at least as an initial trigger. Moreover, expectations and speculation about future demand and (especially) supply conditions play a large part in the determination of crude oil prices on the futures and spot markets, particularly when inventories are low.

The federal government finances the annual budget largely through the sale of crude oil. Consequently, oil revenue drives economic activities and hence inflation in Nigeria. The drop in the price of crude oil is affecting federal and state governments' spending. For instance, many states of the federation for a couple of six to eight months have not been able to pay their workers salaries. Some state governors have openly declared their inability to pay the ₦18, 000 minimum wage to civil servants. Several reasons account for this development. The implication is that Nigeria's economy is based on only one commodity, crude oil, and negative developments on the global oil market will have similar impacts on government funding. Simply put, a persistent drop in crude oil prices means that the government will have less to spend for capital projects in the years ahead.

IMPACT OF GLOBAL FINANCIAL CRISIS ON LABOUR MARKET, EMPLOYMENT AND REMITTANCES

The MDG Target (1B) – was to achieve full and productive employment and decent work for all, including women and young people. Employment consequences of the crisis are hard to point at quantitatively in the absence of official figures. Formal wage employment in the private sector is only about 2 percent of the labour force with another percent in public service. Although most Nigerian workers are employed as casual labourers in agriculture or the informal urban sector, the volume of job losses have been difficult to estimate. There have been better records of job losses in the formal sector. Reports from the Manufacturers Association of Nigeria (MAN), trade union and other stakeholders in the organized private sector have shown that job losses have become more prevalent with the onset of the Global financial crisis. Firm level adjustments to the crisis have included:

1. A sharp drop in economic activity ultimately leads to dismissals, mass layoffs, plant closures, and hiring freezes, which all contribute to rising unemployment
2. Many laid-off workers are forced to take up employment in the urban informal or rural economies (i.e. a reversal of rural-urban migration flows), which act as absorbing sectors in times of crisis.
3. International migration is also an adjustment mechanism: workers are forced to move to other countries in search of work, or are forced to return to their home country as a consequence of losing their job.
4. Jobs and workers reallocate within sectors and from contracting sectors(construction, financial services, manufacturing, and other export-intensive industries) to others where employment can be found, which are often in the service sector.

EFFECTS OF GLOBAL FINANCIAL CRISIS ON NIGERIAN SOCIO ECONOMIC DEVELOPMENT AND POVERTY ALLEVIATION

Like other African countries, the Central Bank of Nigeria, the Finance Ministry as well as other government commentators have been arguing that Nigeria economy is partially insulated from the direct effects of the financial crisis. But, as our economy is integrated with that of the US and the UK to some extents, we are feeling some indirect impacts of the crisis. The effects on Nigerian economy are specifically discussed as follows:

i. Foreign direct investment (FDI) and equity investment; these will come under pressure. Equity finance is under pressure and corporate and project finance is already weakening. The fall of inward investments will affect important sectors such as agriculture, infrastructure development, health and education (Mtango, 2008). Withdrawals of portfolio investment as a result of contagion effects have been causing a reduction in stock prices for over four years.

ii. Downward trend in oil price; the deteriorating global economic outlook is likely to put further downward pressure on crude oil prices, which are expected to remain highly volatile. The indirect effect of volatile and falling commodity prices, particularly crude oil, on export revenue and the inflow of capital into Nigeria cannot be over emphasized. This is because the country depends on revenue from oil to finance its budget and the countries that are mostly hit by the crisis are the primary market for our oil. For instance, about 45% of our oil is exported to the US; therefore, this crisis is leading to fall in oil prices. To stabilize and pushes the price of oil up, OPEC have recently met and cut output by 2.2 million barrel per day (BBC.co.uk, 2010).

iii. Remittances; Remittances to Nigeria and other developing countries will decline. There will be fewer economic migrants coming to developed countries when they are in a recession, so fewer remittances and also probably lower volumes of remittances per migrant. This will affect the calls by government on Nigeria in Diaspora to invest in the country.

iv. Aid; Aid budgets are under pressure because of debt problems and weak fiscal positions, e.g. in the UK and other European countries and in the USA. While the promises of increased aid at the Gleneagles summit in 2005 were already off track just three years later, aid budgets are now likely to be under increased pressure (ODI, 2008). This will affect Sustainable Development Goals (SDG) of most developing countries as well as Nigeria.

v. Commercial lending; Banks under pressure in developed countries may not be able to lend as much as they have done in the past. This would limit investment in the country as investors will find it difficult to borrow from these banks.

vi. Countries with liberalized capital accounts (Nigeria, South Africa and Kenya) will be the first to suffer due to the tendency for investors to withdraw to safer markets.

vii. Losses in other financial assets by banks and other financial institutions in Nigeria (e.g. those deposited with foreign correspondent banks). Banks with high foreign currency exposure will also be affected.

viii. Other official flows; Capital adequacy ratios of development finance institutions will be under pressure (ODI, 2008). However these have been relatively high recently, so there is every tendency for taking on more risks.

ix. Capital repatriation by private banks which are usually foreign-owned. For instance, Standard Chartered Bank, Citigroup (Nigeria International Bank).

x. Countries' foreign reserves usually invested abroad will most likely be affected. This is because most big banks in Europe and the US are affected in one way or the other.

xi. Slow down of economic growth, foreign currency income slump, unemployment increase, reduced Oversea Development Aid (ODA), depreciation of local currency, etc. will result in a setback in achieving the SDGs. While the effects will vary from country to country, the economic impacts could include: Weaker export revenues; further pressures on current accounts and balance of payment; Lower investment and growth rates; and lost employment. There could also be social effects: Lower growth translating into higher poverty; more crime, weaker health systems and even more difficulties meeting the Millennium Development Goals.

From the above analysis, it is observed that the impact of the crisis on the Nigerian economy has different ramifications for the capital market, the banking sector, foreign exchange and the balance of payments, as well as the real sector. Market capitalisation fell by 45.8% in 2008, a sharp reversal of growth from 2007, when the market grew by 74.7% (Okereke-Onyiuke, 2009). The crude oil price (Bonny Light) declined precipitously from US$147 per barrel in July 2008 to $47 per barrel in January 2009, prompting the government to seek other sources of financing for the 2009 fiscal year, as it cannot rely on earnings from crude oil exports. Eventually, there may be a huge budget cut at all tiers of government and social spending, such as on education, health and other basic MDGs, will be deeply affected. The Nigerian currency, the Naira, has also depreciated against the US dollar, and this has implications for foreign reserves.

THE GLOBAL FINANCIAL CRISIS: IMPLICATIONS ON POVERTY AND SOCIAL PROTECTION

Poverty, in the broadest sense, is transferred through five key transmission channels that link macro-level shocks to poor people (Lustig and Walton, 2009): employment, prices, public and private transfers, assets, and access to goods and services. How shocks are transmitted through these channels determines who is affected, how deeply, and for how long. The channels are:

Employment: Loss of income in a poor household is a serious shock. Obviously, it increases poverty in that household. It also makes it more likely that the wider community will become poor. It undermines a household's ability to buy basic supplies, and can lead to ways of coping that will derail family well-being in the longer term, such as pulling children out of school or cutting back on food. These strategies undermine the younger generation's chances of moving out of poverty or contributing to economic growth. It may push vulnerable households into a vicious cycle of chronic inter-generational poverty.

The ability of a household to cope is linked to assets, which may be social, physical, natural or financial. Following the food and fuel price crises, poor people may be exceptionally vulnerable to the additional shock of the global financial crisis. Evidence from Zambia's copper belt, for example, suggests an increase in commercial sex work as households struggle to cope.

Not only are people losing their jobs, employment conditions are also worsening, workers are being forced to work fewer hours. On the other hand, some people are being asked to work more hours, with less remuneration. A female head of household who has to increase her working hours will have less time to spend running her household, feeding her children, and caring for the sick. She will also have less time to rest, undermining her own health and wellbeing.

Prices. Poor people will also be affected by changes in prices as a result of the financial crisis. Changes in both consumption and production prices affect net consumers and net producers in different ways.

A drop in prices is good for net consumers. However, the fall in world food prices has not yet reached poor consumers (Blas, 2009). Evidence from Nigeria shows that, since November 2013, food-price inflation has been higher than aggregate inflation, particularly in rural areas. Poor people spend a large proportion of their household budgets on food, so food price inflation hits them particularly hard.

In countries that distinguish between aggregate and food-price inflation, the latter tends to be higher. Persistently high inflation, in particular on food prices, will challenge food security and reduce the resources poor consumers can spend on non-food items, such as education and investment.

Assess to goods and services. The provision of goods and services by governments, NGOs and the private sector may be waning as a result of falling revenue. In Nigeria, NGO revenues are reported to have fallen by over 5% in the space of a year with the decline more pronounced since October 2013. Reductions in both service provision and uptake are likely to deepen as the impact of the crisis works its way through the economy.

CONCLUSION

The global financial crisis will no doubt aggravate the various economic and political challenges that could disrupt the economic vision of the government. All these problems can be overcome if there is good governance and people oriented leadership.

The study concludes that the global financial crisis opens a window and bases for over hauling and enthronement of sound economic reforms in such crucial areas like financial control and involving competitive trade and effective public sector management.

The global financial crisis and its effects on the Nigerian economy were fully x-rayed. Possible alternatives for bringing back economic development and the more intimidating task of getting Nigeria ready has the resources and managing the nation's economy to became a major player in the world economy. A comprehensive moral and ethical, national re-orientation is all Nigeria needs to drive the nation to economic haven.

RECOMMENDATIONS

To overcome the global financial crisis, the first order of business is stabilizing financial markets in developed countries and countering the recessions that the financial turmoil has triggered. At the same time, strong and urgent actions are needed to help poor countries restore strong growth and recover lost ground in their progress toward the MDGs.

- Ensuring an adequate monetary and fiscal response. However, most developing countries faced with sharply declining growth and consequent major social disruptions lack the resources to mount any fiscal response. Additional financing would therefore help them support growth and protect the poor and vulnerable from the impact of the crisis.
- Restoring the health of the global financial system. Forceful and urgent action is needed to cleanse balance sheets and recapitalize banks, and improve coordination among the affected economies. Although advanced economies are most hit by the financial crisis, the need to address bank liquidity and solvency problems is also pressing in many developing countries. Also, advanced and developing countries should strengthen financial regulation and bank supervision.
- Supporting the private sector. A vibrant private sector is central to growth and job creation. Fiscal stimulus will catalyze sustainable economic growth only if there is a vigorous private sector response. Access to finance and infrastructure and the quality of business regulation are three key determinants to spur private investment.
- Redoubling efforts toward human development goals. Progress toward the human development goals must be accelerated. More attention needs to be paid to strengthening key programs in health and education, such as control of major diseases including AIDS and malaria. The crisis also calls for better leveraging the role of the private sector (for-profit and non-profit) in human development.
- Government must develop strong political will to diversify the economy

- Revolution should be introduced in the industrial sector to help in the diversification of the economy. This is believe to reduce over-dependence of the country on oil sector for foreign exchange earnings.
- Delivering on aid, after rising moderately during 2003–05, official development assistance from the major industrial countries fell in 2006 and 2007. This trend must be reversed. Donors should scale up aid rapidly to deliver on their commitments. Indeed, the crisis calls for going beyond the aid commitments made at Gleneagles as the needs of the poor countries have increased sharply.
- Maintaining an open trade and finance system. It is vitally important to maintain trade openness and resist the recent rise in protectionist pressures, which would only deepen the slump in global trade and undercut prospects for economic recovery for all. In support of trade facilitation, aid for trade should be scaled up substantially. And the global community must achieve a quick and successful conclusion to the Doha round of trade negotiations.
- Empowering multilateral institutions. The international financial institutions have a crucial role to play in supporting an effective response to the global crisis and the development emergency that now confronts many poor countries. The IMF is reforming its lending programs and financing framework to ensure its assistance meets the diverse needs of its members. The IMF should double the borrowing limits of the poorest countries under its low-interest lending facilities to help low-income countries severely affected by the global economic downturn.
- Enthrone a peaceful business environment, maintain a healthy socio-economic and political system of the country by curbing ethic-religious conflicts. This to a great extent will motivate foreign investors into the country thereby making production intended result in the area of foreign exchange rate to catalyze the process of capital flowing into the country.
- It is hereby recommended that top policy makers must workout in a comprehensive manner strategies to handle the conflict at higher economic planning level and make effort to bring engender enduring order in the intentional fiscal system.
- Government should monitor the poverty impact of the crisis: identify who is affected and where, and what other groups that would be affected in the medium and long term;
- Government should rationalize and target social protection interventions and expenditure spending to address priority needs;
- Government should ensure that responses mitigate against the immediate poverty impacts of the financial crisis as well as promoting macro-economic stability and growth in the medium term.
- Donors should support the development and implementation of nationally owned social protection strategies providing high levels of coverage among the poorest, rather than continuing to promote multiple small-scale or pilot initiatives with patchy and inequitable coverage;
- commit to medium- to long-term social protection funding at national level (five to 10 years), to facilitate developing country government planning in response to the crisis;
- Government should safeguard existing ODA allocations for the health, education and social protection sectors.

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