JIBC

Journal of Internet Banking and Commerce

An open access Internet journal (http://www.icommercecentral.com)

Journal of Internet Banking and Commerce, January 2022, Vol. 27, No. 1

Pre and Post Global Financial and Economic Crisis on Nigerian Economy

Dr. Areghan Isibor
Osuma Godswill, Covenant
University, Ota, Nigeria
Email: isiborareghan@gmail.com

Received date: 27-12-2021**,** Manuscript No. jibc-21-53963;

Editor assigned date: 29-12-2021**,** Pre QC No. jibc-21-53963(PQ);

Reviewed date: 14-01-2022**,** QC No. jibc-21-53963;

Revision date: 20-01-2022**,** Manuscript No: jibc-21-53963(Q);

Published date: 27-01-2022

Introduction

The 2007 global economic and financial crises and had expanded into several countries by the end of 2008. The financial hubs of the developing world were blamed for the crisis (Onyenma, 2018). At the moment, the banks sold too many hypothecs to meet the order to supply mortgage securities. This led to the so-called subprime hypothec crisis (Onyenma, 2018). In 2006, house prices declined and there were defaults (Shiller, 2007). Not only was the risk on the market perceived, but it was applied to mutual funds, hedge funds and businesses that owned these items. The 2007 banking and financial crises in 2008 resulted. In the financial and economic policy of developing countries, particularly the US, the reasons for the global financial situation are also to be identified (Mohan, 2007 and Taylor, 2008). The financial and economic conditions were also very challenging for various world economies because of Lehman Brothers' failure in September 2008.

There were negative impacts of the 2007 global financial crisis. One was challenges in the financial markets. Capital markets all over the world crashed during the crisis. The Nigerian stock market, before 2008, enjoyed increased growth pushed mainly by banking reforms. Market capitalization increased with 308.1% from ₦3 trillion in 2005 to ₦8.23 trillion for 2008. All-Share Index (ASI) increased with 151.7% from 23.075 in 2005 to 62024.57 for 2008 (NSE, 2008). This boom caused increased investment in Nigeria. However, the crisis made the investors in the nation to start looking elsewhere desperately. Foreign investors started carrying back their funds to their native nations and selling of shares by domestic investors so as to reduce loss on investments. This led to wide stock price reduction.

The global crisis impacted Nigeria in three areas: financial market, trade flow, and rate of exchange and these negatively impacted the gross domestic product for 2008 and 2009 fiscal years. The Central Bank of Nigeria applied sharp countercyclical means by relaxing monetary policy and starting fiscal stimuli to promote domestic demand. Although, these massive emergency measures were taken, the crisis continued and led to unemployment worldwide. Nigeria's integration into the world economy does not appear favourable and the scorecard may not be something to write home about (Onyenma, 2018). The oil and gas sector is the backbone of the society and economy in the Nigerian context. It is the source of power for other parts of the economy (Onyenma, 2018). The world demand for oil dropped during the financial crisis (Njiforti, 2015). Energy prices fell due to diminishing demand. Increment in oil price could impact growth of the economy negatively impacting supply and demand for non-oil goods (Njiforti, 2015). This negatively affected the standard of living of the populace. As the Nigerian economy move towards recovery with policies such as the Vision 20:2020 inaugurated by late President Umaru Musa Yar'Adua, and President Muhammadu Buhari's Economic Recovery and Growth Plan (ERGP), this study wants to examine how the Nigerian economy can recover from the global financial crises especially during this pandemic era.

Effect of crisis on nations is inconsistent so also the recovery pattern. Many initially believed the developing nations would unplug from the financial crisis in Europe and America based on the high structure of their macro-economic situations. However, this proved wrong. Most developing economies are integrated to developed economies and when such crisis occurs from the developed economy, it poses contagious effects on the developing economies. The crisis affected the developing nations, mainly through financial flows and trade. Also, many policymakers and scholars have analysed the crisis and suggested many recommendations. Some of these bodies include the de Larosiere Report (2009), Geneva Report (2009), and the United Nations Report (2009).

Pre-Colonial Nigerian Economy

The pre-colonial economy of Nigeria for the purpose of this study was from periods 19th century to World War I. The Nigerian economy, just like the general West African economy and the economies of the other sections of the under-developed world remained agricultural and traditional (Hopkins 1978). Although, all world nations relied on agriculture during the first half of the 18th century, it moved to progressive industrial output in Britain and the wind of change subsequently blew over Europe, North America and Japan in the Far East (Hopkins 1978). The structure of the economy in the pre-colonial period was chiefly in agricultural and non-agricultural productions and distributions of commodities and it also consisted of services.

Agricultural production relied totally on availability of suitable land and labour.

The land was vast but the people were few. One of the explanations for this was the Trans-Saharan trade, and, on a much greater scale, the Trans-Atlantic slave trade in which millions of Nigerians were forced out of the region. The result is that land became more abundant in relation to population than it would normally have been (Ikpefan, 2012).

British colonialists reconfigured the Nigerian economy. Nigeria was part of British colony that exploited natural resources vital to growth of the Western industries. Britain pushed for crops export in Nigeria and pushed demand for British products (Hopkins, 1978). They constructed roads and railroad network between 1890s and World War II. The developments, alongside using pound sterling as global exchange medium, pushed export trade in agricultural produces.
Dominant colonialism reasons were looking for natural resources and expanding markets for colonialist goods. Government pushed for the manufacture of agricultural items. It resulted in agricultural export becoming the main attribute of British colony. This proves length of palm oil export from 1875 till 1899 (Hopkins, 1978).