Effect of Global Financial Crisis on Nigerian Economy and the Financial Sector

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ABSTRACT

This research aims to study the effect of 2008- 2010 global financial crisis on Nigerian economy and on its financial sector. Secondary data was obtained from the World Bank, the Central Bank of Nigeria and the IMF World Economic Outlook. The economic indicators examined in this research are: unemployment rate, inflation rate, interest rate, non-performing loans, foreign direct investment, foreign exchange reserve, real GDP growth rate, and exchange rate. The regression analysis was conducted to examine the effect of unemployment caused by the global financial crisis on the country's real GDP growth rate. Descriptive statistics including the mean, median and standard deviation was also used to analyze the data. Trend analysis was further used to analyze the trend of these indicators over the years. The findings of this research indicated that the inflation rate and banks' non-performing loans have increased during the global financial crises, however they both moved back to their original levels during the post-crises period. On the other hand the negative effect of the global financial crises on unemployment, foreign direct investment and economic growth remained unchanged even after the post-crises period. Also the dependence of Nigerian economy on its petroleum exports makes its economic growth highly sensitive to the petroleum prices. As the petroleum prices fell during the post-crises period the economic growth of Nigeria was negatively affected.

Keywords: Global financial crisis, Nigerian economy, Non-performing Loans, Foreign Direct Investment, Foreign Exchange Reserve, Gross Domestic Product, Exchange rates, Inflation rate, Interest rate, Oil prices, Trend analysis.

ÖZ

Bu çalışmanın amacı 2008-2010 küresel mali krizinin Nijerya Ekonomisi ve finans sektörü üzerine olan etkisini araştırmaktır. Araştırmada kullanılan veriler Dünya Bankası, Nijerya Merkez Bankası ve Nijerya Ulusal Bürosu'ndan elde edilen ekonomik ve finansal verilerdir. Bu araştırmada incelenen eknomik ve finansal göstergeler şunları içermektedir: enflasyon oranı, banka'nın takipteki kredileri, doğrudan yabancı yatırımlar, döviz rezervleri, Gayri Safi Yurtiçi Hasıla (GSYİH) ve döviz kurları. Araştırma metodu olarak regresyon ve trend analizi kullanılmıştır. Yapılan regresyon analizi kriz döneminde artan işsizliğin GSMH'yı olumsuz etkilediğini göstermiştir. Ayrıca trend analizi kullanılarak makroekonomik göstergelerin kriz öncesi ve kriz sonrası hareketini incelenmiştir. Araştırma bulgularına göre kriz döneminde enflasyon ve geri dönmeyen kredilerde bir artış yaşanmış fakat alınan önlemlerle bu artış kriz sonrası yine eski seviyelerine dönmüştür. Fakat yabancı yatırımlar, işsizlik oranı ve ekonomik büyüme kriz öncesi seviyelerine dönmemiştir. Nijerya ekonomisinin petrol gelirlerine bağlı olmasından dolayı petrol fiatlarındaki değişim de Nijerya ekonomisini büyük ölçüde etkilemektedir. Kriz sonrası dönemde petrol fiatlarının düşmesi ekonomik büyümeyi de yavaşlatmıştır.

Anahtar Kelimeler: Küresel mali kriz, Nijeryalı ekonomisi, Banka'nın Takipteki Kredi (TGA), Doğrudan Yabancı Yatırımlar, Döviz Rezerv, Gayri Safi Yurtiçi Hasıla (GSYİH), döviz kurları, trend analizi.

DEDICATION

To my beloved mother who has given me the opportunity to study outside of Nigeria.

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Chapter 1

INTRODUCTION

1.1 Background of the Study

Nigeria which is conventionally called the Federal Republic of Nigeria is situated in the African continent with Guinea, Cameroon and Benin being its closest neighboring countries. The country was granted its independence in the year 1960 and it is the most populated country in Africa with enormous economic resources (Abu-Bakr, 2004 & Anthony, 2015). The country's political system is like the United States where the president holds the highest authority which is being supervised by the senate and the house of assembly (Charles, 2005). According to the Bureau of African Affairs (2014), Nigeria has been identified as a mixed economy. It is an emerging market with huge amount of natural resources. This is part of the reasons that attract foreign investors to the country.

The World Fact Book (2014) explained that oil has been the major source of revenue for the country ever since the 1970's, although it has faced a recent downturn in returns recently. Managerial restrictions have consequently reduced further investment in the oil and gas sector. The overall economic growth has been generally slowed down due corruption (WFB, 2014).

However Nigerian economy has not totally collapsed as a result of these problems. It has been thriving again so as to realize its total economic strength over the years (Joseph, 2011).

Consequently after the global financial crisis in 2008-9, the World Fact Book (2014) further explained that the oil endowed country has been harmed by imbalance power supply, deficient infrastructure, slow judicial system, insecurity, crimes and corruption, volatile regulatory system and discouraging trade policies among others. These problems resulted into adverse poverty condition in this densely populated country over years. According to Okeke (2010), at first, the financial sector of the country was enjoying a boom as earnings were coming from external sources. But unexpectedly, the situation changed. Market indicators were experiencing a downturn, share prices declining and earnings from external sources decreased significantly. These happened simultaneously as the global financial crisis emerged in, creating different kinds of problems at different levels. Sanusi (2010) explained that what brings the global economy together is the financial sector, although banks are the most monitored and restricted in many transactions, they are still the most susceptible ones to the effect of global financial crisis.

Nigerian banks make up to 90% of the financial system assets. It experienced a boom over years covering up to 60% of equity market capitalization (Soludo, 2009). Unfortunately in the fall of 2008, prices of shares fell drastically making banks to run to the Federal Reserve for help to bail them out (Sanusi, 2010).

The global financial crisis created many problems for the Nigerian capital markets. It decreased in the market value of shares. Also, Nigerian banking sector were been strictly regulated due to the advent of globalization resulting from advancement in technology, the risk level in this sector was greatly increased (Yusuf, 2013).

Sanusi (2010) further emphasized that just like other African countries the effect of the global financial crisis was not felt in Nigeria initially as the country was not fully integrated in the world economy. He further pointed out that Nigerian banking system was not fully involved in the international financial markets and also that the country was having a good macroeconomic environment which shielded the country from immediate adverse effect. According to him, the banking system was not involved in complex financial products but simple ones, although it had high capitalization because of the 2005 recapitalization program for all banks. However, as the financial crisis got worsened, the effects were seen in Nigeria financial sector too. This was manifested in some banks as they were short of liquidity and could not have other choice except borrowing from the Federal Reserve with a large discount window.

1.2 Statement of the Problem

Nigeria has faced many challenges due to the global financial crisis as well as some major reformations in the economy. Its impact has been largely felt in the financial sector of the Nigerian economy soon after the year 2008-9. It has also affected the macroeconomic indicators of the country. This research therefore wishes to answer the following questions:

(i) What are the effects of global financial crisis on the major macro- economic indicators of Nigeria?

(ii) How has the crisis influence the growth (GDP) of the country?

(iii) What has been the positive measure to revive the economy as a result these crisis?

1.3 Aim and Objectives of the Study

The major aim of this study is to make a survey on the consequences of global financial crisis on Nigerian economy and its financial sector. The objectives of this study are listed below:

(i) To examine the trend of the macro-economic indicators of Nigerian in the pre-crisis, crisis, post-crisis period.

(ii) To observe the effect of global financial crisis on the growth of the economy

(iii) To examine the measures and strategies used in combating the effect of the crisis on the financial sector.

Chapter 2

LITERATURE REVIEW

Financial crisis is an unexpected fall in the worth of financial assets or in financial organizations in charge of the assets. A financial crisis may be initiated by series of circumstances, but the circumstance is mostly caused by unfavorable investments. This crisis usually brings about unpalatable cycles which cause investors to be discouraged from investing. It further brings panic to other investors and causes them to also withdraw their money and generally causing declines in asset values, (Yusuf, 2013). Financial crisis is also connected to various settings whereby some financial establishments or assets unexpectedly default in their worth, (Adamu 2010). Sanusi (2010) in his own view explained that financial crisis is a juncture where all financial system and markets unexpectedly becomes wrecked to the point where it may totally fail. Therefore, a financial crisis can be simply put as a situation where there is a huge loss in the value of a financial institution which may result in investors wanting to sell off all their assets.

The global financial crisis in 2008 had a great impact on the global economy at large. This unfavorable situation had been developing over the years but the consequence was largely felt in 2008.

All over the globe, stock market values have largely declined with big financial institutions greatly falling or being sold off except for wealthy countries which have no choice than to save some of these big institutions from crashing so as to protect their finances. On the contrary, it is often argued that the institutions rescued are the major cause of the crisis. Moreover, the global financial crisis certainly will affect everyone as the world progressively turns to a global village, (Anup, 2013).

In the early period of the financial crisis, there was a popular notion that the effect of the crisis on Africa nations would not be felt as much as imagined. African nations had little interconnection with complex financial products. Nonetheless, Ramlall (2009) disagreed with this by giving an example of the stock markets of Mauritius- a developing Africa country which had come to be more responsive to the dynamism in the international stock markets. Moreover, he referred to the situation in which foreigners decreased their investments during the crisis and the impact felt on the weakened international portfolio. Notwithstanding, as the crisis kept on progressing resulting to an economic downtrend, the risk could also rise even as the banking sector is still susceptible to income decrease, debt servicing and low funding potentials together with the challenges encountered by other sectors which are the main support to the economy.

Nabil (2009) in his own view explained that the currency of sub-Saharan African countries devalued generally against U.S. dollar when the crisis first began. He pointed out that the currency of Nigeria, Ghana, Kenya, Zambia, and Uganda devalued by minimum of 20% during the crisis period in 2008-9, while those Rwanda as well as Tanzania on the other hand devalued by a little amount of just

10% or even lesser at this crisis period. Later, some countries currency appreciated again in terms of U.S. dollar, example is the Zambian Kwacha which later recovered its losses by 25% in the later months of year 2009. Likewise the Uganda and the Kenyan shillings worth also increased in terms of U.S. dollar, Nigerian naira only maintained its position at this period as it did not change at all. Nabil (2009) further recounted that increased inflation in these countries helped to combat the impact nominal depreciation would have caused except for Ghana, Nigeria and Zambia which had more than 5% real depreciation of their money throughout the season of the crisis.

Kamara (2009) claimed that countries of Africa have then been following new strategies to combat the effect of global financial crisis on their various financial establishments which includes subsidizing the interest rates, reforming the regulations, raising the liquidity banks and several establishments' liquidity, reforming the trading policy among others.

In Nigeria, Kayode (2013) pointed that the risk of downturn and instability in domestic prices of goods in Nigeria was increased in the period of the crisis. Nigerian economy was opened up to the crisis through over reliance on crude oil for exchange of income and sales.

The crisis therefore affected all the divisions of the economy of Nigeria especially the finance system. The effect of the crisis did not go unnoticed on the capital market, the banking system, external exchange, payment balances and also the real sector.

Kayode (2013) further explained that although, at the onset, the potential result of the crisis on the economy of Nigeria was given little weight to. Examiners relied mostly on the stamina of the foreign balances of the economy, size of foreign reserves and the capacity of the Nigerian Naira before the crisis. However, as the crisis got worsened, it became obvious that there would be vital effect on the financial system. Moreover, the effect was worsened by the domestic crisis spreading out from the banking sector.

Ajekwe (2014) further thoroughly examined the effect of the crisis on the financial sector of Nigeria. According to him, the present global financial crisis had challenged the financial sector of the country in many ways. For example the country’s stock markets which collapsed and the decline in value of equity of majority of the shares. This has affected both personal and joint investors negatively as the worth of their shares devalued severely.

Moreover, Egbulonu et al (2015) pointed out that the stock index declined from a point as high as 63016.56 on the first of April in year 2008 to point as low as 27108.4 on 16th of January, 2009. He further reported that the crisis had deteriorated the problem of insolvency and liquidity in Nigerian financial sector. Another is the issue of credit crunch which also was affected by the crisis.

He further claimed that reductions of earnings have become a leading challenge as sizable numbers of organizations are laying emphasis on the case of losses rather than profits. Another is the challenge of Investments and savings resulting from the downturn in stock market index. In addition to this, is the problem declining equity's market value which in turn does not encourage more investment. Also absence of trust in the financial system with situations of anxiety mostly in the banking sector of Nigeria has become a frequent issue. Challenges of exchange rate and payment balances in transaction between Nigeria and other countries have amazingly increased.

Although, Ajikwe (2014) claimed that currently there are laws and strategies for the financial sector encouraged by the government by virtue of the relevant and befitting bureau in a bid to avert the overall crash of the sector and the effect it may cause on the whole Nigerian economy. To this effect in the later months of year 2009, eight managements were relieved of their position and duties, Central Bank of Nigeria also supplied relieve funds.

Even though before the crisis entered into the banking sector of Nigeria, the sector had had series of challenges and gone through various types of reregulation and reformation propounded by the authorities. It was this reformation that emerged the problems encountered in this period, being the initial time where vital reforms like that were brought about (Peter, 2010).

Furthermore, Adeyemi (2005) pointed the challenges resulting from these reformations which included high pressure pushed at bank managers to meet up with the returns on investment set by the government which at the time was 25 billion naira. Although it made them to be more prolific in their invention of new financial product, yet he claimed that the consolidation process caused the bank no to have the ability required to be invulnerable to banking problems that is worldwide. The consolidation process was very costly in that it majorly involved computerization of their operations, although without computerization there will be a slowdown on macroeconomic development. Egbulonu et al (2015) moreover said that the consolidation process which resulted in merging and integrating capital was a problem to large banks before the financial crisis.

However, there are different views on the effects of the global financial crisis. It is believed that the effects were not obvious on most African economy at the beginning of the crisis, not until years after. In some other opinions such as Nabil (2009), it is believed that the effect of the global financial crisis was felt during the same year of the crisis as the currency of African countries devalued at this period and likewise their share values.

The effect of global financial crisis on Nigerian economy and the financial sector has been a huge challenge as it has been further influenced by the internal crisis that the banking sector has been experiencing beforehand, part of which was liquidity shortage where banks could not meet up with the cash reserve ratio set by the Federal Reserve. The government had to embark on reformations in the system so as to save the economy.

Chapter 3

NIGERIAN ECONOMY

The Nigerian economy is a vast economy that is dependent on many sectors especially on the oil and natural gas sector, agricultural sector, manufacturing sector, banking sector, clothing and textiles, mining and tourism, telecommunication, transportation, education among others. In the years back, the economy has had great developments in these sectors which reflected in the macroeconomic indicators. Now the macroeconomic indicators are under a threat especially as the oil prices continues to fall globally (AEO, 2015). The country's revenue is largely dependent on the oil and natural gas sector, therefore when the oil revenue declined, it affected Nigerian economy negatively. The oil and gas sector in Nigeria has been a great determinant factor in the Nigeria financial system. However, as the revenue from oil declined, the government embarked on reducing governments' expenditures and increasing revenues from other non-oil sectors such as the telecommunication, tourism, agricultural and clothing and textile sector so that the effect from the decline in oil revenue on the macroeconomic indicators will not be felt too much (AEO, 2015). An overview of the macro-economic indicators of Nigeria for the past ten years showed the growth of the economy was affected negatively mostly after the global financial crisis in 2008-9. The growth of the economy of Nigeria is seen recovering back again as the years went on.

Table 1: Overview of the Macro- Economic Indicators of Nigeria.

Year	Real GDP growth rate	Inflation rate	Nominal interest rate	Real interest rate	Foreign Direct Investment (% of GDP)	Unemploy-ment rate (% of labour force)
2000	7.7	12.4	2.1	-10.3	2.5	13.1
2001	7.0	18.9	42.7	23.8	2.7	13.6
2002	6.9	12.9	2.1	-10.8	3.2	12.6
2003	11.9	14.0	22.6	8.6	2.9	14.8
2004	8.8	15.0	34.4	19.4	2.1	13.4
2005	8.7	17.9	14.6	-3.3	4.4	11.9
2006	8.3	8.2	7.8	-0.4	3.3	12.3
2007	9.1	5.4	17.0	11.6	3.6	12.7
2008	8.0	11.6	15.8	4.2	3.9	14.9
2009	9.0	11.5	35.2	23.7	3.9	19.7
2010	10.0	13.7	3.7	-10	5.1	21.1
2011	4.9	10.8	16.7	5.9	1.6	23.9
2012	4.3	12.2	19.1	6.9	2.2	22.5
2013	5.4	8.5	18.7	10.2	1.5	21.8
2014	6.3	8.1	19.5	11.4	1.1	20.7

Source: (CBN, 2015)

The industry and manufacturing sectors have been growing over the years and contributing positively to the economy. Whereas, the agricultural sector has not been doing well as it was threatened by fall in prices of agricultural products especially during the oil boom period. Labour in the agricultural sector has been carried away by the oil boom and thus there were insufficient labour in the rural sector leading to unsatisfactory production (Ekpo et al, 2014). In 1960, agriculture was 63% of the total GDP but this was significantly reduce to 34% in 1988 simply because this sector was no longer invested in like before. However, the growth in the manufacturing sector increased from the late 1970s to late 1980s especially the mining sub-sector which contributed positively to the growth of Nigerian economy.

Later on, other notable manufacturing industry were developed to contribute more to the growth of the country, example is the Dangote group which is into cement, sugar, flour production among others (Ekpo et al, 2014).

Furthermore, in the 1970's there was oil boom with which the country used to accumulate quite a number of foreign debts so as to sponsor investments in infrastructure in order to build up the country, yet later in the 1980's, Nigeria experienced "oil glut"- a condition referring to a situation where there is too much production of oil there causing decline in price (Reverso Dic., 2015). This resulted in inability to repay loans and further incurred higher arrears and penalty for increased arrears become bigger (Joe, 2011). In the 1980 period, there was excess supply of crude oil which resulted in a decline the demand of crude oil. This was actually caused by the lowered economic activities of some industrious countries being affected by previous year's economic crisis (Ayadi, 2015).

Nevertheless, in the closing months of year 2005, Nigeria and her creditors then which was Paris Club agreed to a conclusion after a long discussion to repurchase its debt even at a discount almost up to sixty percent, it was part of the returns on the oil that the country used to pay the remaining debt. And so in 2006, Nigeria became the first African country to fully and totally pay off its debt which was roughly summed up to be around thirty billion dollars (Okolie, 2014). Although, there are still many more opportunities in the oil and gas sector that can still be invested in the Nigerian financial system. The government aspires to develop new establishments from the oil and natural gas sector, creating a functioning market for gas and also stopping gas wastage during oil refining (Dennis, 2013).

However, Nigeria although it is being referred to as the giant of Africa being rated in the United Nation's Human Development Index as the 153rd position in 187 nations, yet it is still a poor country. Unemployment rate is still very high together with poverty rate. When compared with South Africa in terms of basic amenities and infrastructure, South Africa is still leading. The country is challenged with inadequate infrastructure especially power supply. Inadequate transportation means is still a challenge facing the country; the northern part of Nigeria takes the advantage of these inadequacies to bring about violence which in turn discourages foreigners from coming to invest in the country (The Economist, 2014).

3.1 Effect of Global Financial Crisis on Nigerian Finance Sector

Prior to the effect of global crisis on the banking sector of Nigeria, the banks had gone through series of modification and restructuring policies introduced by the Nigerian government. The modification gave banks many confronting issues. Some of these confronting issues include level of return on investment, human capital integration and recapitalization among others (Peter, 2009).

Sanusi (2012) claimed that before the global financial crisis, there were exactly 89 banks in the country with 3,282 branches. Many of those banks were with low capital base and poor asset quality that were not acceptable. He further claimed that majority of the banks were illiquid and insolvent simultaneously with adverse cases of non-compliance to professional ethics. There were inadequacies in corporate governance as well as reliance on low production of credits which altogether could not enhance economic development.

Emeka (2012) further observed the trend in the financial sector before and after the global financial crisis. According to him, transactions are done in various countries in integrated markets, but Nigeria banking sector was not affected right away by the crisis because the level of its integration is very low when compared to other countries like Ghana- its neighbor, Angola, Botswana which has a higher percentage of integration with 65% of their assets, on the average, being in the hold of external banks.

Table 2: Nigerian Financial Indicators in Real Terms (2004-2009).

Nigerian indicator/Year	2004	2005	2006	2007	2008	2009
Banks total assets (₦'billions)	3,392.9	4,389.	6,738	10,431	17,031	15,851
Total bank deposits (₦'billions)	1,623	2,478	3,441	5,072	8,274	8,680
Exchange rate(₦\US$1)	133.3	131.6	127.00	116.8	131.25	148.1
Equities participation (₦'billions)	1,926.5	2,523	4,228.6	10,301	6,987.5	4,992
Portfolio investment (₦'billions)	25,541	116,03	360,292	332,548	157,157	107,837

Source: (CBN, 2015)

Newman (2010) also observed the foreign exchange reserves of Nigeria was 5.4 billion U.S. dollars in 1999 which maintained an upward trend until 2007 with an amazing figure of 51.3 billion U.S. dollars and further increased to 53 billion U.S. dollars in 2008.

Unfortunately as a result of the global financial crises which led to a global oil price crash, the foreign exchange reserve reduced drastically to 42.4 billion U.S. dollars in 2009. Samuel (2015) emphasized that like other African countries the Nigerian inflation increased to as high as 11.6% in 2008 and went on with the high trend till the end of the crisis. It further went up sharply to above 13% in year 2010, this high rate at this period was attributed to the fall in the value of naira which was caused by the decrease in oil prices. Firms also had to protect their profit margin by increasing the prices of goods and services which eventually led to the high inflation rate.

The real GDP growth rate began its decrease in the later part of year 2007 and continued into 2008, this situation could not be hidden as it was known all over the country. Foreign Direct Investment (FDI) also declined with project finance getting weaker and weaker. Internal investment also declined and its impact was felt not only in the financial sector, but also in the agricultural, education and infrastructure sectors (Mtango, 2008).

Bimisola (2010) also pointed out that as a result of the crisis external investors took back up to four billion U.S. dollars from the Nigeria Stock Exchange in 2008 which accelerated huge decline in the country's stock exchange.

3.2 Measures Used by Government in Combating the Effect of Global Financial Crisis

The government of Nigeria has brought about different measures to combat the effect of crisis. These measures include decrease in requirement for cash reserve, decrease in liquidity ratio, and extension of days of lending to banks, initiation of enlarged discount window and discontinuance of mopping of liquidity. According to the Central Bank of Nigeria, these measures are to bring about more liquidity. Some other policies are been set which includes creating Presidential Steering Committee on Global Economic Crisis, this committee was set up in 2009 to oversee the progress in the financial sector and also give advice to the government on steps to take. The Presidential Advisory Team on Capital Markets was also inaugurated in August 2008 with the responsibility of deciding strategies to revive back the retrogressing economy of Nigeria. Security Exchange Commission and Nigeria Security Exchange who are the regulators also decreased their fees by 50% with 1% being the lowest limit on the changes in prices each day and 5% the highest limit (Emeka, 2012).

The Governor of the Central Bank of Nigeria in 2009 sacked the top managements of eight banks believed to be weak in terms of liquidity. He further proposed the establishment of Islamic banking which is to lower the cost of borrowing in the economy so as to encourage more investments. The Islamic banking became effective on 13th of January, 2012.

He also classified banks into international, national and local banks and then launched the Asset Management Corporation of Nigeria (AMCON) on the 19th of July, 2010.

This classification works in a way that the banks that fall under local banks will have a minimum capital of ₦15 billion, ₦25 billion as the minimum for National banks and the International banks like Garanti Trust Bank (GTB) and United Banks for Africa (UBA) that functions within and outside of Nigeria their minimum capital will be ₦100 billion, the main reason behind these classification was that the different types of bank are face with different kinds of risk in their transactions such as exchange rate risk, interest rate risk, credit risk among others, therefore these minimum capital will be worthy to absorb any crisis shock at different levels, (CBN, 2012)

Chapter 4

DATA AND METHODOLOGY

4.1 Source and Type of Data

This research used secondary data on the macro-economic and financial indicators in Nigeria. The indicators used are inflation rate, exchange rate, foreign direct investment, banks' non-performing loans, real gross domestic product growth rate, foreign exchange reserves, interest rate, oil prices, and unemployment rate. The data is collected from the pre-crisis period to post-crisis period. Data is extracted from the websites of Central Bank of Nigeria, IMF World Economy Outlook and World Bank. Most figures are in percentages while some others such as oil prices are in US dollars.

4.2 Methodology

In order to examine the effects of global financial crisis on Nigerian economy, the Ordinary Least Square Model (OLS) is used to examine the effect of the increase in unemployment rate caused by the crisis on the real gross domestic product growth rate (RGDGr). The real GDP growth rate is the dependent variable while the unemployment rate is the independent variable.

The OLS model is formulated as follows;

$$RGDPGR_t = f(UNEMP_{t)};$$

Where $RGDPGR_t$ = real gross domestic product growth rate

UNEMP= unemployment rate

$_{t\,=}$ time series

The equation is transformed to logarithm as follows;

$$\ln RGDPGR = \beta o + \ln UNEMP + U_t$$

Where βo = constant;

ln = logarithm

U_t = error term

Descriptive statistics is also used to analyze the data sets, which involves the calculation of the mean, median, standard deviation of the data sets in the pre-crisis period, the crisis period and the post–crisis period. Trend analysis is also used to examine the trend of the indicators before, during and after the crisis. This is done in order to establish a changing pattern of the variables over a period. Trend analysis uses historical data to observe the changes in variables. This technique is very useful for investors in order to estimate the financial status of a country, data of each year is compared with the earlier year.

There are lots of formulas that can be used in trend analysis; the one adopted in this study is the percentage increase or decrease. The current value was subtracted from the previous value and then divided by the previous value. The result was then be multiplied by 100; % increase or decrease = {(current value- previous value)/previous value}*100, this was done by excel for all the indicators.

The results gotten from these were explained graphically and it clearly showed the effect of global financial crisis on Nigeria economy. If the result gotten from this shows that the current year percentage is higher than the previous one then the current is better off than the previous year and vice versa depending on the indicator. With this, the performances of the indicator over the years are now clearly observed (IFRS, 2015).

Thus, tables for the indicators are given showing the trend in the pre-crisis, crisis period and post-crisis period, graphs are further used to observe the trend of these indicators.

Chapter 5

RESULTS OF THE ANALYSIS

In this part of the thesis, an in depth analysis are first going to be presented about the macroeconomic and financial indicators, then a simple regression will be conducted to see the effect of unemployment on real GDP growth.

5.1 Real Gross Domestic Product Growth Rate

The real GDP growth rate is a peculiar indicator for Nigerian economy. The results presented in table 3 revealed that the real GDP was not affected by any global financial crisis during the crisis period as it was between 8-10%. However, as the years went on, the effects began spread to the country through appreciation of dollars against naira. The exchange rate rose from 118.55 naira per dollar it used to be in 2008 to 154.74 naira per dollar as at 2011, making international trading to be slowed down. This resulted in a lower investment and enterprise and therefore contributed to the increase in unemployment which then resulted to lower savings and revenue and then the decrease in the real GDP. The upward trend of interest rate at this post crisis period also contributed to the decrease in the real GDP because it was more difficult to borrow for business investment at this season. Furthermore, as investment reduced so also were infrastructures poorly managed, the inflation rate at this period was also not in favour of the economy being a double digit.

The mean of the real GDP growth rate at this period fell to 5.23% from 9% in the previous years. Figure 1 clearly shows that the real GDP growth rate had the highest crunch between 2010 and 2011 but has begun recovery again from 2012 upward.

However, the government rebased the GDP growth rate in 2013 considering the new sectors of the economy that is now contributing to the financial sector such as the entertainment sector. The government further made plans to diversify the economy and discourage over reliance on the oil sector as the main source of revenue for the country and as at 2014 the real GDP has increased to 6.3%.

Table 3: Nigerian Real GDP Growth Rates: Pre-Crisis, Crisis and Post-Crisis Periods.

Pre-crisis period		Crisis period		Post-crisis period	
Year	Real GDP growth rate	Year	Real GDP growth rate	Year	Real GDP growth rate
2004	8.8	2008	8.0	2011	4.9
2005	8.7	2009	9.0	2012	4.3
2006	8.3	2010	10.0	2013	5.4
2007	9.1			2014	6.3
Mean	8.7	Mean	9.0	Mean	5.2
Median	8.8	Median	9.0	Median	5.2
Standard dev.	0.3	Standard dev.	1.0	Standard dev.	0.9

Source: (IMF, 2015)

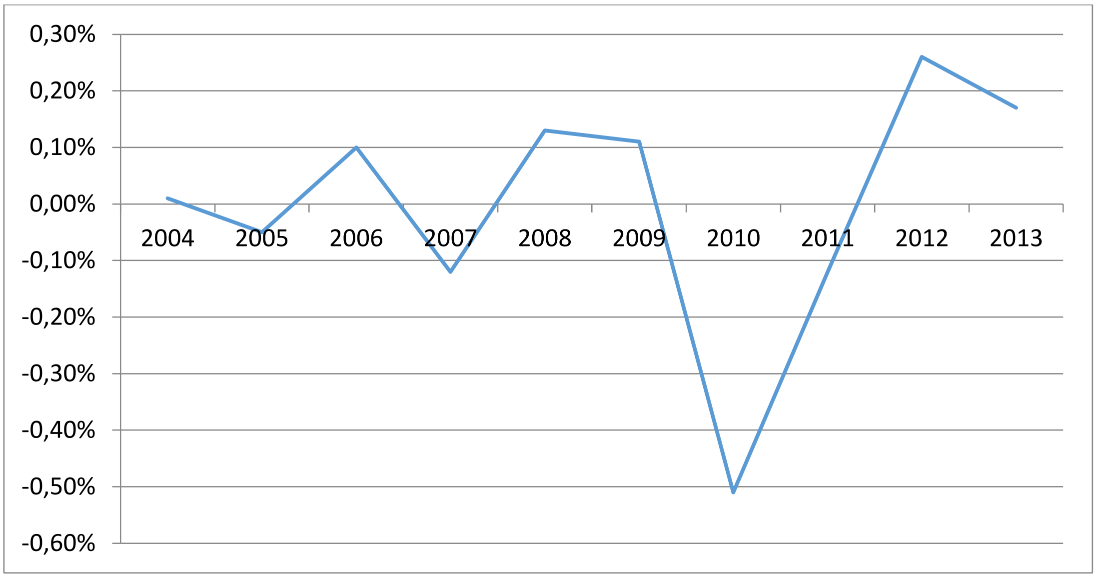

Figure 1: The Trend in Real GDP Growth Rate.
Source: (IMF, 2015)

5.2 Non-Performing Loans

The data in Table 4 indicated that banks' non-performing loans rate to total loans was as high as 21.6% in 2004. This was attributed to the rise in the interest rate that year which became 19.4%. As there was a large project to invest in the modern telecommunication system in Nigeria in 2004, most of the banking sector credit was channeled to this sector. As a result the interest rates on banks' lending to the private sector increased. Therefore those who were already debtors could not afford to repay their loans with the higher interest rate which resulted in the default of loans and therefore increased the level of non-performing loans to over 20% by the end of 2004.

However, the Central Bank of Nigeria quickly came to the rescue of the situation. Before the end of year 2005 the interest rate was reregulated and made lower by the government which helped the private sector to repay loans. This resulted in the decrease of the non-performing loans to 18.1% of the total loans. The findings further revealed that banks' non-performing loans was not greater than 10% ever after until 2008 with the percentage in year 2008 being as low as 6.3%. However, Nigerian banks kept on giving loans to the private sectors who in turn invest in unsecured equities and also to oil trading investors. Hence when the global financial crisis hit the stock market and the oil sector resulting in depreciation of Nigerian currency, the worth of the shares depreciated resulting in a huge loss and default of loans, the NPLs therefore rose up to 37.3% of total loans in 2009. The mean of the years of the crisis as seen in Table 4 was as high as 21.3% which greater than the mean of pre and post crisis period, 14.2% and 4.2% respectively.

In order to prevent the banking system from failing totally as a result this condition, the government had to repurchase back the debts from the banks and some of the top managements were further expelled from the office. The government further came to the rescue of this situation by providing liquidity to the affected banks in form of subordinated and unsecured debt, the government also created a guarantee on foreign credit lines, pension deposits among others. Asset Management Corporation of Nigeria (AMCON) was further created in 2010 which was responsible for buying the non-performing loans by selling tradable three-year zero coupon which was guaranteed by the authorities. These measures largely improved the financial sector. Figure 2 further showed that the NPLs have been maintaining a downward trend ever after.

Table 4: Non-Performing Loans to Total Loans: Pre-Crisis, Crisis and Post-Crisis Periods in Nigeria.

Pre-crisis period		Crisis period		Post-crisis period	
Year	NPLs/Total Loans	Year	NPLs/Total Loans	Year	NPLs/Total Loans
2004	21.6	2008	6.3	2011	5.8
2005	18.1	2009	37.3	2012	3.7
2006	8.8	2010	20.1	2013	3.4
2007	8.4			2014	3.7
Mean	14.23	Mean	21.23	Mean	4.15
Median	13.45	Median	20.1	Median	3.70
Standard dev.	6.65	Standard dev.	15.53	Standard dev.	1.11

Source: (World Bank, 2015)

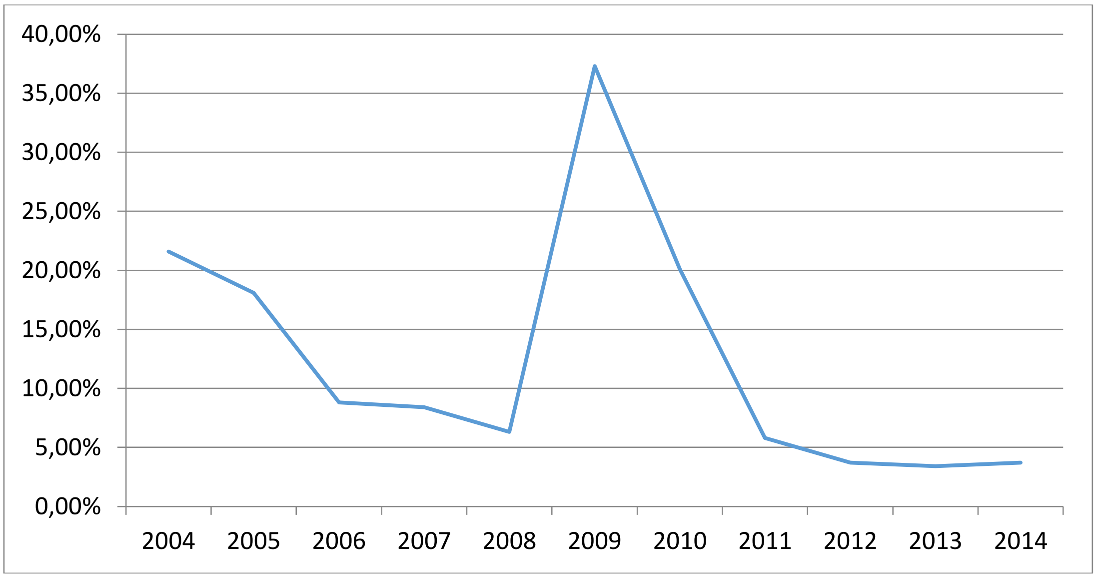

Figure 2: Nigerian Non- Performing Loans to Total Loans.
Source: (World Bank, 2015)

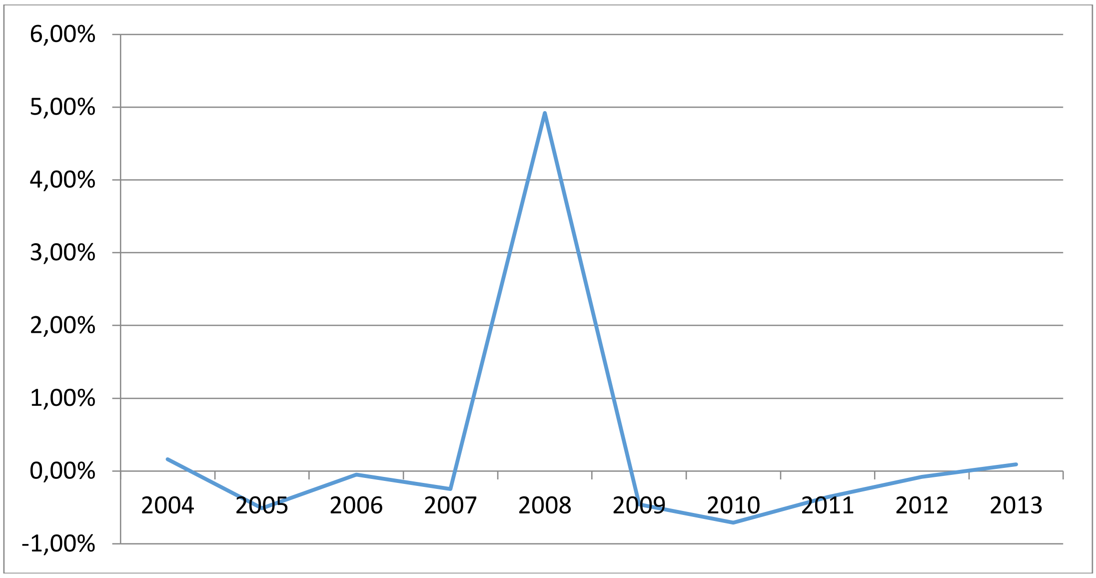

Figure 3: The Trend of Non- Performing Loans to Total Loans.
Source: (World Bank, 2015)

5.3 Foreign Direct Investment

Table 5 indicated that the Foreign Direct Investment as a percentage of GDP was at a minimal level right from the pre-crisis period. This was due to the fact that Nigeria being an underdeveloped country lacks the adequate infrastructure such as power supply that can attract FDIs to the country. Another reason for lower FDIs is the political instability resulting in unstable policies that discourages foreign investors from investing in the country. However, as interest rate became lower in the country during the crisis period, FDIs were attracted to the country again and this raised the mean of FDIs as a percentage of GDP to be 4.30%. Examples of FDIs that were attracted to the country at this period were Mauritian CEC, African Investments while the already existing ones are Shell Oil Company and Chevron among others.

Local banks also became more connected with international banks making international big banks to have more stakes in the local banks which as a result strengthened the financial sector at this period. Unfortunately, as foreign investors needed more liquidity in their home country in a bid to survive the crisis, they had to withdraw to some extent from these investments and as a result the FDIs started to decline in the post crisis period. However, this is not the only cause of the reduction in FDIs, there have been other internal factors like ethnic and religious wars, environmental disasters, deteriorating infrastructure among others which had caused the FDIs to withdraw from Nigeria. On the average, the FDIs for the post crisis period was 1.59% compared to the average of 4.30% achieved in the previous period. The exchange rate of the country is what the government is capitalizing on now to invite more FDIs to the country, assuring them that their investments will be profitable at the end.

Table 5: Nigerian Foreign Direct Investment: Pre-Crisis, Crisis and Post-Crisis Periods.

Pre-crisis period		Crisis period		Post-crisis period	
Year	FDI (% of GDP)	Year	FDI (% of GDP)	Year	FDI (% of GDP)
2004	2.13	2008	3.91	2011	1.64
2005	4.44	2009	3.94	2012	2.15
2006	3.34	2010	5.05	2013	1.53
2007	3.63			2014	1.07
Mean	3.39	Mean	4.30	Mean	1.59
Median	3.49	Median	3.94	Median	1.58
Standard dev.	0.96	Standard dev.	0.65	Standard dev.	0.44

Source: (World Bank, 2015)

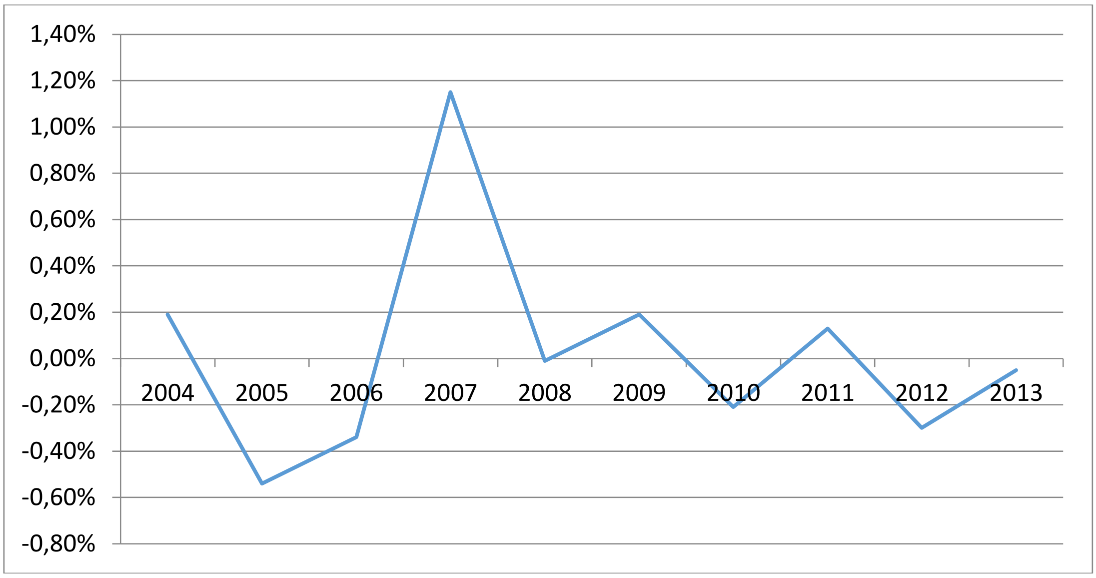

Figure 4: Nigerian Foreign Direct Investment (% of GDP).
Source: (World Bank, 2015)

5.4 The Inflation Rate in Nigeria

Table 6 presents the Nigerian inflation rates in the pre-crisis, crisis and post-crisis periods. The findings showed that the inflation rate was a double digit in the years of the crisis 2008-10 with the mean as high as 12.27% compared to the previous years which was 11.63%. This has been as a result of the spread of global financial crisis to Nigeria, as the cost of borrowing increased sharply at this period due reduction in liquidity as posed by the depreciation of naira to dollar which reduced the purchasing power of naira, there was decrease in output of goods which further led to the increase in prices of goods just like the years before the crisis and therefore resulting to the high inflation rate experienced. Furthermore, as the government increased the minimum wage of workers to ₦18,000 in 2011 and the beginning of 2012 nationwide strike caused by government removal of fuel subsidy triggered the increased the inflation rate to 12.2%, coupled with the fact that the country has not yet totally recovered from the double digit rate. During this period, the purchasing power of naira drastically reduced. However, with government intervention through tightened monetary policies, inflation rate was brought under control to a single digit ever since 2013 and it further reduced to 8.1% in 2014.

Table 6: Nigerian Inflation Rates: Pre-Crisis, Crisis and Post-Crisis Periods

Pre-crisis period		Crisis period		Post-crisis period	
Year	Inflation rate	Year	Inflation rate	Year	Inflation rate
2004	15.0	2008	11.6	2011	10.8
2005	17.9	2009	11.5	2012	12.2
2006	8.2	2010	13.7	2013	8.5
2007	5.4			2014	8.1
Mean	11.6	Mean	12.3	Mean	9.9
Median	11.6	Median	11.6	Median	9.7
Standard dev.	5.8	Standard dev.	1.2	Standard dev.	1.6

Source: (World Bank, 2015)

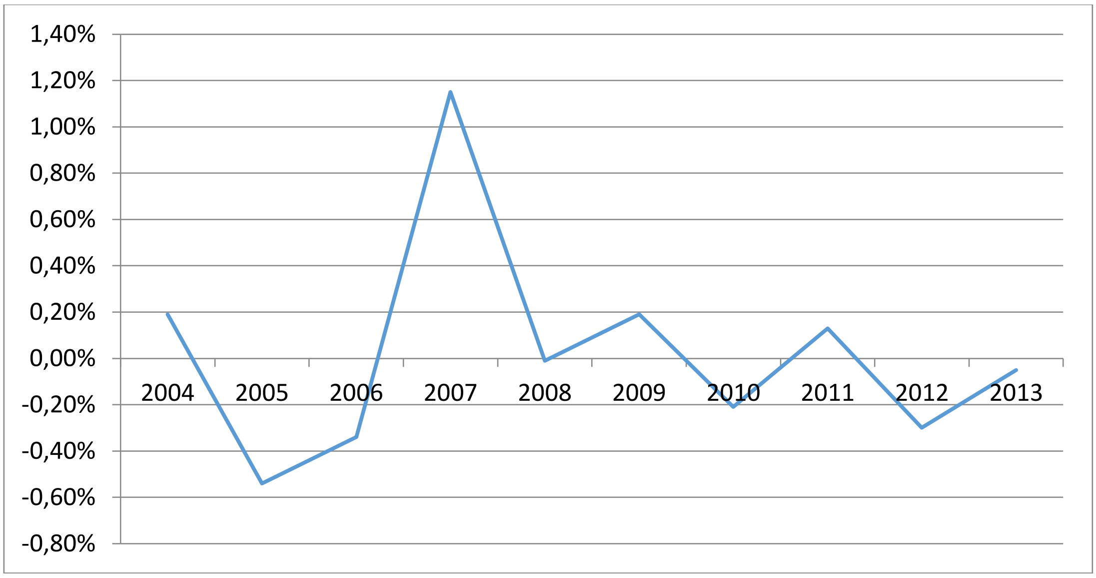

Figure 5: The Trend of Nigerian Inflation Rate.

Source: (World Bank, 2015)

5.5 Real Interest Rate of Nigeria

The findings revealed that there were years where the real interest rates were negative, these negative rates especially the -10% in 2010 indicates a sharp increase in inflation rate. In 2010, the government embarked on an expansionary monetary policy that would turn the economy around positively. Table 7 shows that during the financial crisis, the real interest rate was high due to credit contraction as investors who had borrowed money from the bank to invest in equities suddenly had a decline in the value of their stocks leading to an increase the rate of non-performing loans as cost of borrowing was too high for investors to repay. This further resulted in high defaulting rates and consequently overall lower investments in the country. In a bid to encourage investments and businesses in the country again, government had to lower the interest so as to enhance easier repayment of loans and interests and also to make liquidity more available in circulation for investments which will contribute to the growth of the economy.

However, as the country battles with the volatility in oil prices resulting in a lower revenue for the country and thus lower availability of liquidity, the real interest rates has begun to rise again in the post crisis period reaching more than 11%.

Table 7: Nigerian Real Interest Rate: Pre-Crisis, Crisis and Post-Crisis Periods.

Pre-crisis period		Crisis period		Post-crisis period	
Year	Real interest rate	Year	Real interest rate	Year	Real interest rate
2004	19.4	2008	4.2	2011	5.9
2005	-3.3	2009	23.7	2012	6.9
2006	-0.4	2010	-10.0	2013	10.2
2007	11.6			2014	11.4
Mean	3.4	Mean	5.9	Mean	8.6
Median	3.5	Median	4.2	Median	8.6
Standard dev.	0.9	Standard dev.	16.9	Standard dev.	2.6

Source: (World Bank, 2015)

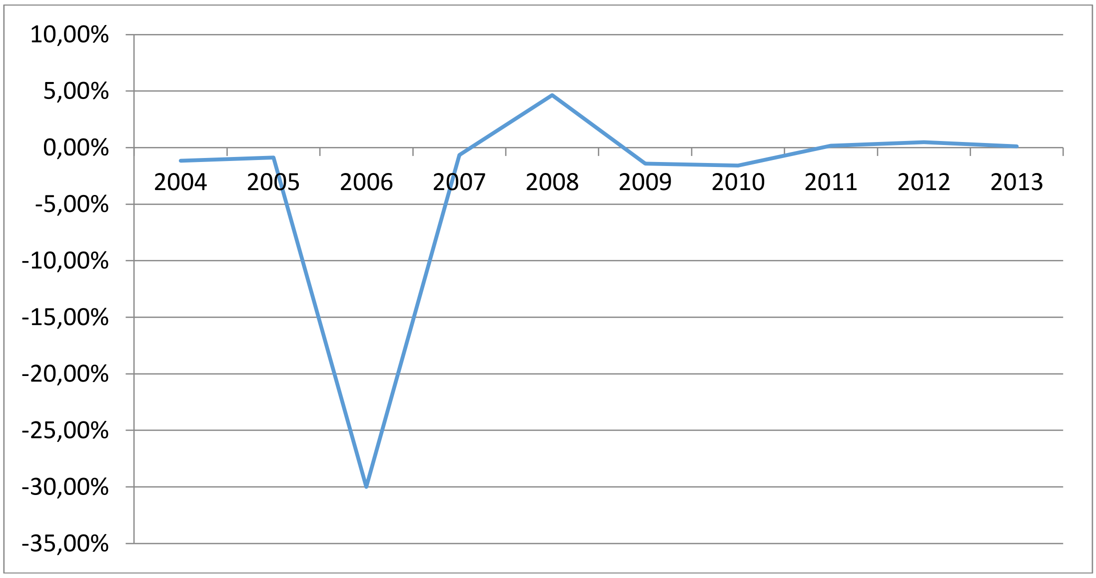

Figure 6: The Trend of Real Interest Rate of Nigeria.
Source: (World Bank, 2015)

5.6 Exchange Rate

Prior to the global financial crisis, naira was more valuable and had more purchasing power as opposed to the post-crisis period. Because of high inflation and the need to attract more FDIs for the economic growth, the Nigerian currency naira depreciated.

During the time when banks were required to increase their capital between 2004 and 2006 the currency remained stable. In 2006, naira appreciated as 128.65 naira to 1 dollar (Table 8). Shortly before the crisis, the naira further became more valuable in 2007 with 118.55 naira to 1 dollar. However, due to the decline in oil prices the government had to devaluate the naira. The value of dollar rose up against naira, where 1 dollar became 154.74 naira. Dollar has maintained this upward trend ever since the global financial crisis. The exchange rate on average became 156.59 naira to a dollar in the post crisis period while in the pre-crisis period it was just 127.84 naira to 1 dollar. Currently naira fluctuates between 198 and 200 naira to 1 dollar. Although, it is believed that as naira depreciates, export trades in Nigeria will be encouraged. However, the commodity prices are been regulated internationally and cannot be determined by Nigeria. Also, as the interest rate increased during the post crisis period, causing a decline in the several investments. Exchange rate has a big impact on the domestic prices of goods, it also determines the profitability of business and trades.

In the case of Nigeria, the country mainly exports oil and has almost every other things being imported including the agricultural products (such as rice and poultry products). However, the government has put in place some policies that is believed will reduce the negative effect of naira depreciation, part of which includes import tariffs, export duties, imports and exports bans and licensing among others. The trend of the exchange rate is presented in Figure 7.

Table 8: Nigerian Exchange Rate: Pre-Crisis, Crisis and Post-Crisis Periods.

Pre-crisis period		Crisis period		Post-crisis period	
Year	Exchange Rate	Year	Exchange Rate	Year	Exchange Rate
2004	132.89	2008	118.55	2011	154.74
2005	131.27	2009	148.49	2012	156.81
2006	128.65	2010	150.30	2013	157.50
2007	118.55			2014	157.30
Mean	127.84	Mean	139.11	Mean	156.59
Median	129.96	Median	148.49	Median	157.06
Standard dev.	6.44	Standard dev.	17.83	Standard dev.	1.27

Source: (CBN, 2015)

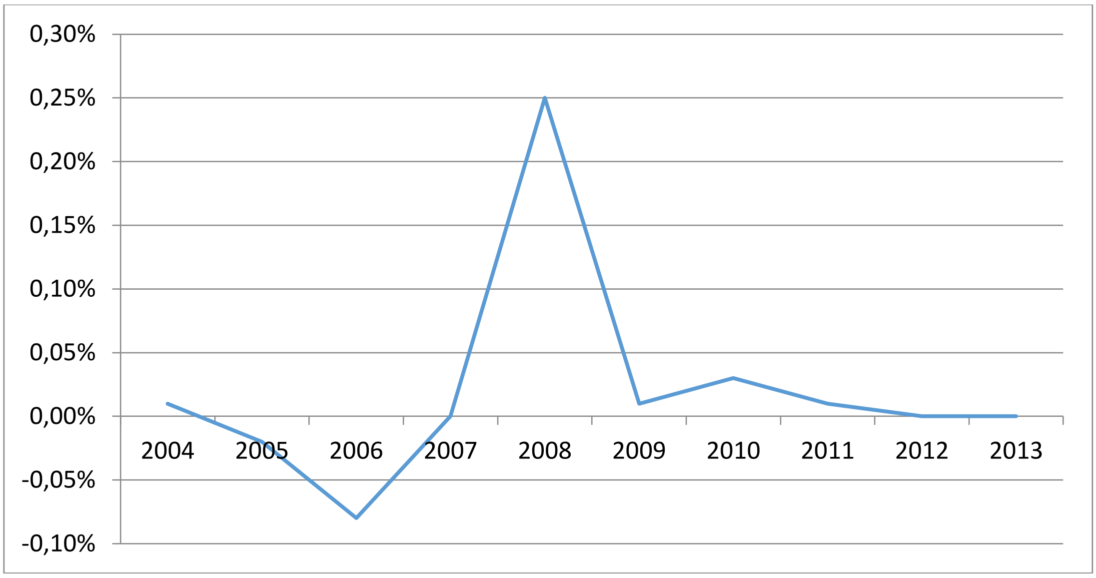

Figure 7: The Trend of Nigerian Exchange Rate (Naira/Dollar)
Source: (CBN, 2015)

5.7 Oil Prices (U.S dollars)

As an oil exporting country, oil has been the main source of revenue for Nigeria. During the financial crisis, there was a sharp decline in the oil prices between 2008 – 2010. This posed a high challenge on the economy due to over dependence on oil for revenues. Oil price shock put the country at a disadvantage as it reduced income, wages, profits and then overall economic growth. Nigeria do not determine the price of oil or the volume they can sell, but rather the Organization of Petroleum Exporting Countries (OPEC) stay in charge of the volume to sell while the prices is determined by the market forces. Therefore, the drop in oil prices during the financial crisis affected government spending. The decrease in oil prices also led to diminishing foreign exchange receipts and reduction in government revenue. The government has been advised by policy makers to diversify the economy as the country is blessed with many natural resources that are yet to be explored. The country is also blessed with fertile land that can support agriculture at any season.

Table 9: Oil Prices (U.S dollars): Pre-Crisis, Crisis and Post-Crisis Periods.

Pre-crisis period		Crisis period		Post-crisis period	
Year	Oil prices($)	Year	Oil prices($)	Year	Oil prices($)
2004	95.95	2008	120.30	2011	124.30
2005	100.95	2009	110.15	2012	121.60
2006	112.95	2010	117.03	2013	124.23
2007	115.93			2014	128.93
Mean	106.45	Mean	115.83	Mean	124.77
Median	106.95	Median	117.03	Median	124.27
Standard dev.	9.53	Standard dev.	5.18	Standard dev.	3.05

Source: (IMF, 2015)

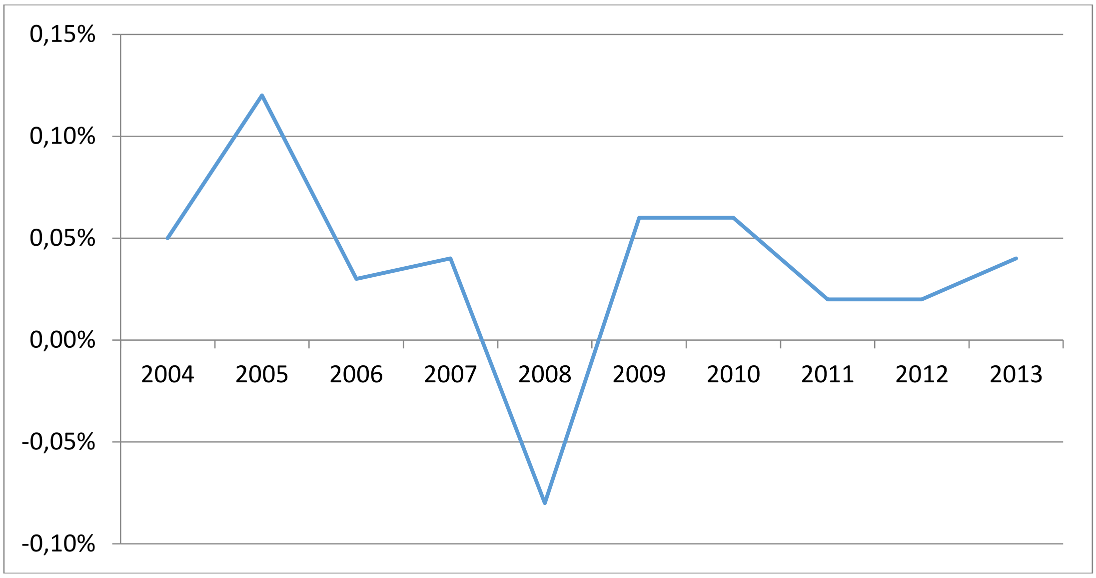

Figure8: The Trend of Oil Prices Between 2004 to 2013.
Source: (IMF, 2015)

5.8 Foreign Exchange Reserves

Nigeria's foreign exchange reserves depend on the sale of its crude oil. The findings as presented by Table 10 revealed that in Nigeria the foreign exchange reserves was not affected in the early stage of the global financial crisis. It maintained an upward trend till year 2008 being 31.1 percentage of real GDP. As the Central Bank of Nigeria attempted to protect the country's currency from depreciation, draw downs are being made on the foreign exchange reserve. Nigerian foreign exchange rate responded to the volatility in oil prices more than any other macro-economic indicator. Draw downs are made from this foreign reserve so as to protect the country from external borrowing when the revenue of oil was declining. After 2008, the foreign reserves have been unstable and declining as it depleted from around 15% of real GDP in 2011 to about 12% in 2014.

In a bid to rescue the foreign exchange reserves from total depletion, the government set up Monetary Policy Committee in 2013. The committee introduced some measures which involve making the lending rate to be stabilized at 12% and liquidity ratio (LR) at 30%.Also the cash reserve requirement of the public sector (CRR) was increased to 75% from 50% and the private sector cash reserve requirement stabilized at 12%.

Table 10: Nigerian Foreign Exchange Reserves: Pre-Crisis, Crisis and Post-Crisis Periods.

Pre-crisis period		Crisis period		Post-crisis period	
Year	FER (% of GDP)	Year	FER (% of GDP)	Year	FER (% of GDP)
2004	22.3	2008	31.1	2011	16.2
2005	20.1	2009	17.6	2012	15.6
2006	22.7	2010	13.5	2013	14.5
2007	26.1			2014	12.5
Mean	22.8	Mean	20.7	Mean	14.7
Median	22.5	Median	17.6	Median	15.1
Standard dev.	2.5	Standard dev.	9.2	Standard dev.	1.6

Source: (World Bank, 2015)

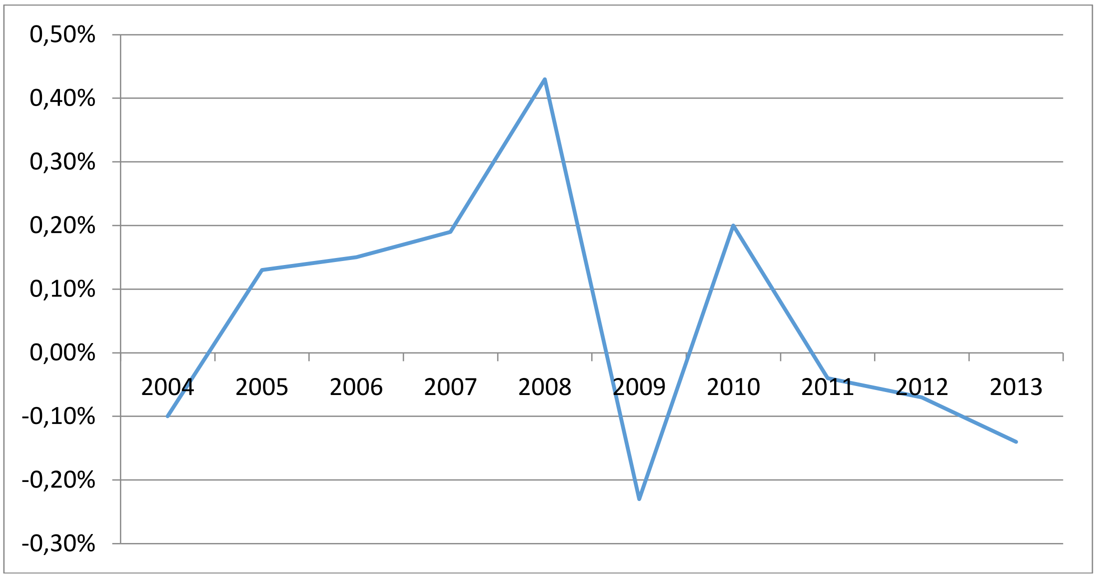

Figure 9: The Trend in Nigerian Foreign Exchange Reserves (% of GDP)
Source: (World Bank, 2015)

5.9 Unemployment Rate

Table 11 presents the unemployment rate of Nigeria in the pre-crisis, crisis and post crisis period. The result revealed that the unemployment rate in Nigeria has been persistently on the high side. In the pre-crisis period, unemployment rate on the average was 12.5%, moreover, during the crisis period the average rose up again to 18.6%. The condition was further worsened in the post crisis period with the average unemployment rate being as high as 22%. Although, the high rate in the pre-crisis period has been attributed the internal crisis experienced at the period. Due to the incidence of high rate of non-performing loans especially in 2005 and 2006 whose rates were 21.6% and 18.1% respectively, many businesses had to fold up resulting in many workers being laid off at this period.

However, the crisis and the post- crisis period high rate are connected to the global financial crisis. Nigerian economy being mostly dependent on oil as the major source of revenue experienced a decline in oil prices during the crisis and this has resulted in lower revenue for the country.

Many businesses that were connected to the oil and gas sector were negatively affected as their profit declined at this period. Business investments were reduced, basic infrastructures such as power supply and road networks could not be maintained and therefore became more deteriorated. There was generally lower output and there was lesser need for workers as their wages and salaries cannot be met. This therefore resulted in the persistent increase of the unemployment rate in Nigeria. This study therefore will critically examine the effect of this persistent increase in the unemployment rate on the Nigerian economy by analyzing its effect on the real GDP growth.

Table 11: Nigerian Unemployment Rate: Pre-Crisis, Crisis and Post-Crisis Periods.

Pre-crisis period		Crisis period		Post-crisis period	
Year	Unemployment rate	Year	Unemployment rate	Year	Unemployment rate
2004	13.4	2008	14.9	2011	23.9
2005	11.9	2009	19.7	2012	22.5
2006	12.3	2010	21.1	2013	21.8
2007	12.7			2014	20.7
Mean	12.6	Mean	18.6	Mean	22.2
Median	12.5	Median	19.7	Median	22.2
Standard dev.	0.6	Standard dev.	2.7	Standard dev.	1.2

Source: (World Bank, 2015)

5.10 The Result of the Regression

The simple regression that will be used in this study is designed in such a way that the effect of the high unemployment rate caused majorly by the decline in oil prices as a result of the global financial crisis will be tested on the real GDP growth. Unemployment rate has been on the high side all through the post crisis period unlike some other indicators that have been recovering from the crisis. It is believed that this persistent increase in unemployment rate will definitely have negative effect on Nigerian economy. The degree of this effect will therefore be examined on the real GDP growth in this study.

Table 12: Regression Results

Dependent Variable: LRGDP
Method: Least Squares
Date: 09/15/15 Time: 19:16
Sample: 2000 2014
Included observations: 15

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	3.642893	0.693190	5.255263	0.0002
LUNEM	-0.586453	0.248589	-2.359125	0.0346

R-squared	0.299775	Mean dependent var	2.014123
Adjusted R-squared	0.245912	S.D. dependent var	0.276442
S.E. of regression	0.240057	Akaike info criterion	0.107685
Sum squared resid	0.749156	Schwarz criterion	0.202092
Log likelihood	1.192362	Hannan-Quinn criter.	0.106679
F-statistic	5.565470	Durbin-Watson stat	1.554555
Prob(F-statistic)	0.034632		

The result of the regression analysis is presented in Table 12. The result revealed that the absolute value of t-statistics (-2.359125) is significantly different from zero. This indicates that a percentage increase in unemployment will diminish real GDP growth rate by 0.586453%, meaning that unemployment affecting the real GDP growth rate negatively.

On the account of overall significance, F-statistics of 5.56470 demonstrates that the model is statistically significant. R-Square of approximately 30% also explain the variation between unemployment and real GDP growth rate, meaning that the variation of real GDP growth rate can be explained to the tune of about 30% of unemployment rate. Unemployment rate is negatively related to the real GDP growth rate and increase unemployment during the years of global financial crises had a negative effect on the economic growth of Nigerians economy because as foreign direct investment was forced to decrease as a result of the crisis, workers had to be retrenched due to low investment which further resulted to a lower output and then a lower revenue for the country resulting in a lower real GDP.

Therefore in a bid to reduce this unemployment rate, the government brought about a programme called SURE-P (Subsidy Reinvestment Programme) in February 2012 whose function is to reinvest every fund gotten from the temporal removal subsidy on Oil products. Reinvesting the funds into other sectors of the economy like agriculture is aim at providing job openings for workers, the SURE-P programme had various schemes meant for empowering people to be financially established. These schemes includes Graduate Internship Scheme (GIS) - a training scheme for graduates so as to be more competent in their discipline and further be able to set up businesses on their own, Vocational Training Scheme (VTS) – a training mostly for those who have not gone through formal education so as to set them up on their own personal businesses. Another scheme is the Community Service, Women and Youth Empowerment (CSWYE) which is to focus on the empowerment of the women and the youth of the country. These have been the government effort introduced to save the country from the high unemployment rate it's facing.

Chapter 6

CONCLUSION AND RECOMMENDATIONS

The study examined the effect of global financial crisis on Nigerian economy and the financial sector. Major macroeconomic indicators in Nigeria were examined over the years which are the pre-crisis period (2004-2007), crisis period (2008-2010) and the post-crisis period (2011-2014). The macro-economic indicators that were examined were unemployment rate, inflation rate, interest rate, foreign direct investment, foreign exchange reserve, banks' non-performing loan, real gross domestic product growth rate, oil prices and exchange rates. Secondary data were obtained from the World Bank, the Central Bank of Nigeria, the IMF World Economy Outlook and National Bureau of Statistics. A regression analysis was conducted using the ordinary least square method. Real GDP growth rate was the dependent variable while unemployment was the independent variable. The result showed that 1% increase in unemployment decreased the real GDP growth by 0.5864.53 during the global financial crisis. The unemployment rate which increased from 12.7% in 2007 to 23.9% in 2011 played a significant role in reducing real GDP growth after the global financial crisis.

However, increase in unemployment rate is not the only indicator that affects GDP, other indicators too were examined in this study using the trend analysis technique, descriptive statistics including the mean, median and standard deviation was further used to analyze the data.

It was discovered that banks' non-performing loans had its peak immediately after the global financial crises with percentage as high as 37.3% in 2009. The effect of the crisis cannot be over emphasized as it also affected the inflation rate of Nigeria which ran into a double digit as the crisis spread to the country; the highest figure was 13.7% in 2010.

The reaction of Foreign Direct Investment to the crisis in Nigeria left an indelible mark to the country as it almost collapsed totally if not for government intervention who rescued the situation by allowing depreciation in naira making production cheaper and lucrative for the few foreign investments remaining in the country. Up till now it is still struggling to recover because foreign investors actually had to withdraw because of the crisis.

Exchange rate still remains a challenge to Nigeria since the start of the global financial crisis. Before the crisis naira was valuable but it drastically depreciated in 2009, as 1 USA dollar became equal to 148.9 naira and this trend still continues Revenue from oil was also affected as a result of the crisis as oil prices declined which in turn affected the GDP growth rate negatively as the country relied heavily on proceeds from oil sales.

This study also showed that government and the regulatory boards have been taking various measures to combat the effect of this crisis on the financial sector. The government has been advised by stake holders to diversify the economy and reduce over reliance on crude oil as source of revenue. This will reduce the impact of oil price fluctuation on the economy as the country is blessed with many natural resources that are yet to be explored. Reinvesting funds gotten from oil subsidy removal is another measure employed by the government to create jobs which will in turn reduce unemployment and affect the economy positively.

In addition, the non-performing loans have been countered by the effective operation of Asset Management Corporation of Nigeria (AMCON) that was created in 2010. The AMCON specializes in buying back the bad debts (NPLs) from banks. This way banks reduced their NPLs and concentrated in making new healthy loans to the businesses. Government embarked on tightened monetary policy such as cutting down government expenditures in order to reduce the high inflation in the country, the country is currently on a single digit inflation rate. It is believed that FDIs will be encouraged to invest in the country as the depreciation in naira tends to favor proliferation of FDIs.

In conclusion, the macro-economic indicators were affected negatively by the crisis but not severely as the findings revealed that most of these negative effects have been recovering from the shock as various measures were carried out by the government to stabilize the economy. Therefore, the global financial crisis appears to have a short-term effect on the Nigerian economy.

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