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The Impact of Financial Globalization on the Economic Growth of Developing Countries of Africa: The Example of Nigeria

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Abstract: *From the perspectives of the Nigerian, financial globalization had not seriously received the right attention, but evidences abound that the concept had contributed greatly to the pace of economic and industrial revolution that now characterized our national agenda. This is exemplified in the Nigeria's Vision 20:2020 and the Millennium Development Goals enforcement programmes. It is important that research work in this contemporary economic and political phenomenon be encouraged to introduce reforms and create peculiar agenda for peculiar economic environment, to allay obvious fears and risks, un-conducive for universal economic integration and to eradicate economic imperialism. The aim of this study is to determine the impact of financial globalization on global economic development, especially in low developed countries, using Nigeria as a case study. Therefore data for the financial globalization measured as balances in the foreign reserves as a share of Gross Domestic Products [GDP] for the period of 21 years was collected and analyzed with other variables such as interest rates, exchange rates, inflation rate and stock market valuation. Ordinary Linear Regression [OLR] analysis technique was engaged to express the relationship between these variables in a behavioural form, to provide estimation in form of the causal relationship between the dependent variables and independent variable. On the whole, the influences of all the dependent variables except Interest rate are considered highly significant on the value of GDP. The conclusion is to the effect that, the impact of financial globalization on any country's economic development remains positive and crucial.*

Keywords: *Economic growth, financial globalization, financial market, International Trade.*

1. INTRODUCTION

Financial Globalization has generally been defined, at least in theory as a phenomenon of increasing integration or interaction in national economic system (especially in the financial markets) through growth in international trade, investment and capital flows; thereby leading to economic growth. Husain (2000) and Nwokoma (2004) emphasized that globalization leads to increased international trades, financial integration, international labour flows, technical change and economic growth. Gounder and Sen (2000) has reported that the rapid spread of the currency and stock market crisis from one country to another has been due to contagion effects, where the occurrence of the crisis in one country increases the probability of a similar crisis in another country. Contagion effects arise when inflows to one economy are transmitted to other economies that are linked to the first economy by trade and finance. The financial crisis of the East Asian of 1997 and the Mexican peso crisis of 1994 are observed as the two contagion effects in the recent past.

Calvo (1998) in his theory "contagion effects" is based on a guiding mentality among investors that does not assume irrationality among individual agents. Also, Tobin (1998) is of the view that the integration and perfection of financial markets will bring money market interest rates, prices and capital market rates in different financial centres closer and closer together. Gerlach and Smets (1994) suggest that a currency crisis in one country may lead to devaluation of currency in another country if the two countries engage in a significant amount of bilateral trade. However, Corsetti, Resente, Roubini and Tille (1998) have suggested that competitive devaluation may arise even if two countries do not directly trade with each other, but compete in a common third market; and if the investors expect positive correlation in asset returns across these countries (Giddens, 1990).

Financial globalization as a process of expanding economic cooperation among states, when studied from an economic perspective even requires harmonization or integration of the social and political systems, including information technology (Akinboyo, 2004; Audu, 2009 and Edame, 2006). Indeed, it could strengthen and promote existing social and political systems. The success of Asia is basically in achieving structural transformation from low- to high-productivity sectors. (McMillan and Rodrick, 2011)

Financial globalization is not a new phenomenon, it began towards the end of the nineteenth century, but it slowed down during the period from the start of the First World War until the third quarter of the twentieth century. However, the pace of globalization picked up rapidly during the fourth quarter of the twentieth century. Basically, the events which led to the rapid integration of world financial markets started in 1973 when after the Dollar crisis of 1971, the leading partners in international trade (Europe, United States of America and Japan) decided to float their own currencies.

This resulted in erratic fluctuations of the exchange rates of the major convertible currencies (US Dollar, the Euro currencies and the Yen). Currency traders and speculators, exporters and importers throughout the world were no longer certain about the receipts they expected from their international transactions (Ude, 2000). The consequence of this was wide spread hedging in both commodity and the derivative markets (bonds and stocks). There appeared to be massive floods into and ebb out of both the foreign exchange markets and the stock markets in the world. Hence, the coinage of the term "Financial Globalization", which is a process of international financial market integration, defined as the linking of domestic financial markets with that of the rest of the world.

The above situation was exacerbated by the international political events of 1991, which resulted in the collapse of the Soviet Union and Satellite Socialist countries of Eastern Europe. The exit of Soviet power from the world economic and political arena in 1991 resulted in the rise of American influence to unchallengeable and unparalleled supremacy in world affairs.

The conclusion was that capitalism had triumphed over communism and the idea of private ownership (global capitalism) should be embraced by all countries that wish to benefit from American and Western European patronage. Privatization, deregulation and such other concepts began to be vigorously preached and forced down on all developing countries by the United States of America and the international financial organization like the World Bank and International Monetary Fund (IMF).

Nigeria, the acclaimed giant of Africa, did not slip out of the race. The first step towards linking the domestic financial markets to her global counterpart started when the dual exchange rate of the naira was abolished in 1999. The stock market was deregulated and foreigners can now freely invest in any stocks and bonds in Nigeria Stock Exchange (NSE) without any special encumbrances. Concerted effort to speed up the process of privatization was spelt out in Budget of year 2000 (Obasanjo, 2000). Thus, Nigeria joined the community of nations in the theory and practice of the new international economic philosophy, which has been variously categorized as Global capitalism, Economic globalization, Financial globalization, Integration of financial markets, Privatization and Deregulation of money markets and so on (Stein, 1991).

2. REVIEW OF LITERATURE

Financial Globalization, which falls into the field of creativity and culture, kicked off since mid-1980s and early 1990s. During this period, the trade impediments between nations were broken apart, and the flow of capital and corporate investments between different countries were intensified. Over the past thirty years, many developing countries have experienced surges of economic growth followed by collapses. The countries with the strongest performance are those that have rejected the dominant economic wisdom of trusting their growth prospects to financial markets, and instead have pursued innovative and unorthodox policies, tailored to local conditions. This has allowed them to shift resources to activities that are increasingly productive. Meanwhile, many developing countries, like Nigeria that have embraced finance-driven globalization have seen their ability to achieve this structural transformation greatly reduced.

However, beginning from the early 1980s, the extensive deregulation of the financial sector, the dismantling of controls on cross-border financial activities and moves to open the capital account signaled a radical break with the post-war international policy framework, with capital flows surging ahead of international trade. Subsequently, the proportion of national income accruing to the financial sector has increased across all countries and regions;

financial leverage has risen sharply, supported by the proliferation of dense financial products and markets, while “shadow” financial institutions have emerged with heightened speculative behaviour.

3. CONCEPTUAL FRAMEWORK OF FINANCIAL GLOBALIZATION

Tom G. Palmer of the Cato Institute defines globalization as "the diminution or elimination of state-enforced restrictions on exchanges across borders and the increasingly integrated and complex global system of production and exchange that has emerged as a result." Thomas L. Friedman popularized the term “Flat World”, arguing that globalised trade, outsourcing, supply-chaining, and political forces had permanently changed the world, for better and for worse. He asserted that the pace of globalization was quickening and that its impact on business organization and practice would continue to grow.

Takis Fotopoulos defined "economic globalization" as the opening and deregulation of commodity, capital and labour markets which led to the present neoliberal globalization (Political globalization, Cultural globalization, ideological globalization, technological globalization and social globalization).

According to McMillan and Roderick (2011), financial globalization is generally described as the expansion of financial command over global resources and the tightened of its grip over both corporate governance and policymaking, resulting from the disconnection of measures of economic “success” from the pressures of making productive investments, raising productivity and creating jobs, through a general and structural shift in the organization of economic activity and the behavioural changes in economic actors to more open markets. In the opinions of The IMF and World Bank, financial globalization is an amalgamation of domestic financial system of a particular country with the international organizations as well as financial markets. During the mid-1970s, the emerging market economies did not experience much of cross-country financial flows. The rate improved during 1980s and 1990s, while in the year 1997 it reached its best. But then it had declined rapidly due to economic and financial cataclysm of the Asian and Russian countries and gradually global capital flows was completely reduced. Instead, in the early 1990s, financial globalization inflated noticeably and capital from developed countries to the developing countries started flowing in. From 1973 to 2005, the GDP of the world hit 42%. Particularly, in Nigeria, it accelerated as a result of recapitalization and consolidation in the Banking sub-sector.

Financial globalization was first employed in a publication entitled *Towards New Education,* in 1930, to denote a holistic view of human experience in education (Oxford English Dictionary Online). The related term 'corporate giants' had been coined by Charles Taze Russell in 1897, to describe the largely national trusts and other large enterprises of the time. By the 1960s both terms began to be used synonymously by economists and other social scientists (A.G. Hopkins, Ed). The recent wave of financial globalization since the mid-1980s has been marked by a surge in capital flows among industrial countries and, more notably, between industrial and developing countries. While these capital flows have been associated with high growth rates in some developing countries.

Financial globalization and financial integration are, in principle different concepts. Financial globalization is an aggregate concept that refers to rising global linkages through cross-border financial flows; while financial integration refers to an individual country’s linkages to international capital markets. In this study, these terms are used interchangeably. From the political economy framework, there are three approaches to financial globalization. These are technological determinism approach (which, according to Asogwa, 2004 and Audu, 2009 explains financial globalization as the product of technological changes that are gradually sweeping aside the barriers to the integration of financial markets); the hegemonic power approach (this, Gilpin, 1987 opined that it opened an international financial system that depends upon the existence and leadership of the liberal domination power). Thirdly, the rationalist interest group approach does not focus on structural forces and state policy makers, but upon the preferences of key societal interest groups. Financial globalization in this respect occurs when groups that favour globalization organize and lobby more effectively than groups that oppose it. Frieden and Rogowski (1996) argued that key interest groups such as Multinational Corporations (MNCs) and domestic firms seeking cheaper sources of finance have incentives to lobby governments to undertake financial globalization policies.

Wade (1996) argued that financial liberalization, unlike trade liberalization, can flourish with international competition rather than cooperation and perhaps one version of the theory holds that the United States of America in particular has used various multilateral and bilateral means to promote financial liberalization abroad, especially with its dominance within the World Bank and IMF. This is not without of some resolution conflicts, as the relative importance of hegemonic coercion versus unilateral liberalization in explaining financial globalization remains unclear (Walter, 2002). It was further argued that in countries that rush to attract large inflows of foreign direct investment (FDI), MNCs preferences for financial openness may have been an important factor in government decisions to liberalize trade and investment. It was also argued that, a major concern of investors, including those oriented to domestic markets, had their freedom to transfer funds and projects, and made possible the spread of global banking. Also, financial globalization can reduce the cost of the funds and also increase credit availability for firms (Asogwa, 2002). Akinboyo (2004), Audu (2009) and Edame (2006) have argued that financial globalization is a process of expanding economic cooperation among states, and that this does not necessarily imply future breakdown of borders. Indeed, it could strengthen and promote existing social and political systems. It is simply a process of intensified and broadened interdependence among nations.

4. DEFINITION OF ECONOMIC DEVELOPMENT

The best definition of economic development suited for the purpose of study, due to its compatibility with our analysis of a low developed or developing countries, is found to be

"the process of improving the quality of human life through increasing per capita income, reducing poverty, and enhancing individual economic opportunities". It can also be defined to include better education, improved health and nutrition, conservation of natural resources, a cleaner environment, and a richer cultural life" (Penn State University, 2008). The repeated emphasis on the role of the government and its influence on economic development are in tangent with the MDG programme of the Nigeria government. However, there are three variables of economic development in the opinion of Hackett (2008).

First, the Structural Change, which is defined by Matsuyama (1997) "as a complex, intertwined phenomenon, not only because economic growth brings about complementary changes in various aspects of the economy, such as the sector compositions of output and employment,

organization of industry, etc., but also these changes in turn affect the growth", which is low in Sub-Saharan Africa. Secondly, external influence on government, that is, the power of a government in matters of economic development can be influenced by external organizations. International institutions such as the World Bank and the IMF as well as MNCs, have the potential to decrease government control in its own country causing a loss of legitimacy (Riddell, 1992). According to Miller (1992), external influence on local governments consists of political and policy instabilities, that is, potential or actual change in the political system and instability in government policies respectively.

Thirdly, economic development and environmental conditions (usually referred to as "climate change or global warming") are closely intertwined due to increases in economic activity leading to a change in the character of the environment. Concern for the environment has become an international issue in the last few decades and has caused an increase in environmental awareness on the part of global organizations (Mastel, 1999)

5. FACTORS DRIVING FINANCIAL GLOBALIZATION

The surge in financial flows to developing countries, as well as the shifts in the composition of these flows, can be broken down into "pull" and "push" factors. The first category includes policies with respect to capital and trade accounts, institutional quality and governance practices and policies towards privatization of state-owned companies. Some economic policies associated with these pull factors can affect the macroeconomic outcomes of financial globalization through their impact on the volume and composition of financial flows. The push factor includes the growing importance of depository receipts and cross-listings and the emergence of institutional investors as key players driving international capital flows to emerging markets (Prasad et al., 2003).

Some academic economists view increasing capital account liberalization and unfettered capital flows as a serious impediment to global financial stability (Roderick, 1998; Bhagwati, 1998; Stieglitz, 2002), leading to calls for capital controls and the imposition of frictions such as "Tobin taxes" on international asset trade. In contrast, others argue that increased openness to capital flows has, by and large, proven essential for countries aiming to upgrade from lower to middle income status, while significantly enhancing stability among industrialized countries (Fischer, 1998; Summers, 2000).

6. THE IMPACT OF FINANCIAL GLOBALIZATION ON DEVELOPING COUNTRIES

Developing economies' financial linkages with the global economy have risen significantly in recent decades. However, a relatively small group of these countries has garnered the lion's share of private capital flows from industrial to developing countries, which surged in the 1990s.

There are loads of advantages that the world is enjoying today due to financial globalization. It has enhanced capital flow in each and every country and therefore a country may always remain prepared to counter any financial crisis. Due to financial globalization, the capital flows between nations have increased resulting to a well-organized world allocation of money. It has also improved the living standards of the people. In fact, financial globalization is the safeguard to defend against national shocks, and an excellent system for more efficient global allocation of resources.

There is empirical evidence to support the view that countries are considerably more likely to benefit from financial globalization when they take modest simultaneous steps, to improve governance, transparency and financial sector regulation. Also, it is almost surely the case that excessive reliance on fixed exchange rate regimes has been a major contributory factor to financial crises in emerging market countries over the past fifteen years. Moving to more flexible exchange rate regimes is therefore likely to considerably alleviate some of the risks countries must endure as they become more financially globalized (for countries that are not financially globalized, fixed exchange rate regimes may be a perfectly good choice, as the empirical results in Rogoff et. al. 2004, suggest). In addition, countries that consistently face problems associated with government debt are more likely to benefit from this concept if their governments simultaneously take measures to avoid an excessive debt upsurge.

In sum, productivity-enhancing structural change does not emerge spontaneously from unleashing market forces, but rather is the result of concerted government policies to raise capital formation, strengthen productive capacities and diversify the economy.

7. IMPACT OF GLOBAL FINANCIAL CRISIS ON THE BANKING SYSTEM

African economies were relatively isolated from the direct impact of the financial crisis because of their low level of financial globalization or integration. Thus, Africa found itself shielded from the impact of the 2007 sub-prime and the summer 2008 banking crises, thereby avoiding the effects of a financial crisis that affected the very foundations of international financial markets. Compared to emerging countries, Africa's external financing (bond issue, stocks and private borrowing) is low, representing only 4% in 2007 of overall issue for emerging economies. In 2007, bond issue stood at only USD 6.0 billion, compared to USD 33.0 billion for Asia and USD 19.0 billion for Latin America. Furthermore, in terms of access to private resources, Africa received only USD3.0 billion in 2007, compared to USD 42.0 billion for Asia.

The stock market capitalization in Africa represents only 2.09% of world Stock market capitalization. Furthermore, African banking assets represent only 0.87% of global banking assets, compared to 58.15% for the 15 countries of the Euro zone and 15.09% for the United States. Africa's financial globalization ratio is comparable to Latin America's, at 181.3% and 176.4%, respectively, far behind that of Asia at 369.8% and Japan at 495.7%. The low financial integration indicators partly explain why Africa escaped both the sub-prime and banking crises. No African country announced a bank rescue plan at the scale observed in many developed countries. Generally, African banks have not engaged in complex derivative products and are not heavily dependent on external financing.

African financial systems are dominated by the banking sector, and the role played by financial markets is weak, or in some cases non-existent. Borrowing from foreign banks is within the context of exchange control regulations. Off-balance sheet exposure is not widespread in Africa, which is in contrast to industrialized countries that have complex financial securitization instruments such as the ones that triggered the subprime crisis. The accumulation of reserves following the commodities boom has supported the expansion of sovereign wealth funds in Nigeria and

Botswana and the creation of new ones in Libya, Algeria, Sao-Tome and Principe and Sudan. While these funds represent only 2% of the sovereign funds' global assets, the accumulated volume amounted to more than USD 124 billion, before the 2008 financial crisis. The sterilization of such reserves and their conversion into foreign assets helped countries avoid strong exchange rate appreciation. So far, there is little information on the negative effect of the financial crisis on African sovereign wealth funds. Nevertheless, sovereign funds profitability is expected to encounter some challenges, in line with other financial wealth instruments on the global market. It is certain that volatility in oil prices will contribute to this challenge impacting on the investment capacity and the size of such funds.

8. FINANCIAL GLOBALIZATION AND ECONOMIC GROWTH

Standard growth theory predicts that financial liberalization helps to accelerate growth in low-income countries through four basic channels namely; increased access to liquidity, allowing the domestic financial sector to develop and brings down the cost of capital, permitting more firms access to external funds (Fisher, 2003; Obstfeld, 1998; Summers, 2000); the fall in interest rates in emerging economies which helps to alleviate poverty and reduce inter-country income inequality by reducing the borrowing constraints of the households with less access to finance; a deeper domestic financial market which steepens up competition among banks, conducive to a more efficient allocation of funds, thereby improving long-term productivity growth (King and Levine, 1993); and with improved opportunities for international risk-sharing, countries may be better able to exploit gains from specialization in international trade (Acemoglu and Zilibotti, 1997; Kalemi-Özcan, Sørensen and Yosha, 2001).

According to Kose, Prasad and Terrones (2008), additional indirect benefits may be expected from the transfer of technology and knowledge that comes with foreign direct investment, which improves total factor productivity. The increase in economic growth and reduced income inequality, general inefficiency in the allocation of resources, increased inequality in the distribution of income, limiting access to credit for enterprises must go with lifting ceilings on interest rates. A rise in interest rates should increase the supply of domestic savings and screen out inefficient investments that had previously been artificially promoted, taking into consideration its negative effect on the cost of capital and on the level of effective demand.

From the analysis of Deidda and Fattouh (2002), and Rioja and Valev (2004a, b), deepening of financial markets may also have different effects on the economy depending on its level of economic development. Also, the work by Demetriades and Law (2006) and Ahlin and Pang (2008) considered how institutions and governance structures may affect the extent to which finance affects growth. However, studies have confirmed a positive link between finance and growth and hence there is a positive contribution of financial development on overall employment. A supporting business environment with efficient governance, productive industrial relations and predictable labour regulation helps foreign investors to identify business opportunities quickly and channel funds towards their most productive use through direct foreign investment (Mishkin, 2006).

Meanwhile, the over-hasty opening of the capital account, accompanied by loose prudential regulation and distortions in the domestic financial system, has been held responsible for many of the recent difficulties faced by emerging economies, like Nigeria in recent times, in benefiting from financial globalization (Obstfeld, 2007). Fuelled by the recent surge in the price of oil and other commodities, a group of resource-rich emerging market economies has managed to build up substantial financial funds, often managed by Sovereign Wealth Funds (SWFs). The optimistic view has it that, given the size of SWFs and their behaviour as passive investors, they need to make diversified investments on global capital markets, which might correct some of the current account imbalances that have built up over the past decade (Beck and Fidora, 2008). Nigeria recently floated for the first concrete time, a US$500 million bond in the UK capital market, which was over-subscribed.

This is particularly likely in resource-rich countries that suffer from weak governance and might be tempted to use the wealth or the funds to promote their own international political agenda. More importantly, the sheer size of SWFs which often represents several hundred per cent of the GDP of their countries of origin runs the risk of influencing the market. In particular, in more volatile times, there is a danger that the investment behaviour of such powerful actors will be used as a public signal for other investors, with the potential to lead to sudden stops and capital flow reversals.

9. FINANCIAL GLOBALIZATION AND FINANCIAL SECTOR DEVELOPMENT IN NIGERIA

In Nigeria, the financial system is dualistic with some degree of informal and semi formal financial intermediation activities simultaneously taking place (Akinboyo, 2004 and Edame, 2006). The system provides logistics to service the needs of the economy, facilitating the mobilization of funds from the surplus to the deficit sector and from the domestic and foreign sources; and optimally allocating such mobilized resources to productive investments. The Nigerian financial system also provides infrastructure for monetary policy transmission among other things. The system or service industry in recent years has been hit by three major trends, including the deregulation and privatization, the introduction of new technologies and new products and the entry of new competitors, leading to the growth in the demand of financial services within the economy.

In a country like Thailand for example, cheques are cleared electronically within a day through the introduction of electronic cheques system. In the quest to provide improved performance in the finance sector as an engine for economic growth, government, the monetary authorities and other actors in the financial system have intensified technology (IT) in re-engineering the Nigerian economy. Akinboyo (2004) has argued that, although information technology (IT) is environmental friendly, the gains associated with these technologies have not been maximized in Nigeria because of the failure to realize that IT implies more than just mere acquisition of hardware and software to substitute manual operations for automated processes; but that, it requires technical capabilities as well as, a supportive environment, effective planning and organizational skills.

In recognition of this, the Central Bank of Nigeria [CBN] for example; has introduced the implementation of a Banking Analysis System (BAS) that provides information to banks and the Nigerian Deposit Insurance Corporation (NDIC) to monitor the development and financial viability of banks; the establishment of the Nigerian Inter Bank Settlement System (NIBSS) by the committee of bankers; the banking Analysis Cooperation System (BANKOS) for consideration of its accounts; the Magnetic Ink Character Recognition (MICR) to enhance the clearing system for cheques, which takes between 2 and 4 days for local cheques and 3 to 5 days for up-country cheques in line with the Nigerian Automated Clearing System (NACS) directives; the implementation of satellite Wide Area Network (WAN), which facilitates transfer of data and voice between the head office and branches of banks all over the country; and the introduction of Government Security System (GSS) for the allocation of treasury bills (TB) to financial institutions, within the financial sector in the country.

The financial systems of developing countries are fragmented and small. As Hanson, et al (2003) and Soludo (2008) indicated, only about the sixth developing system in the world in 2000, with aggregate deposit share of about 6 percent of about 108 developing countries studied, 80 had total bank deposits of less than $10 billion of which 42 had less than $1 billion. Only very few countries have organized stock exchanges. Size is seen as a binding constraint for many of these countries, and only regionalism and globalization offer them a chance of sustained growth.

The main issues of the 1990s on economic growth was rediscovering the complexity of economic growth, recognizing that it is not amenable to simple formulas, while another result was the degree of convergence of views.

Many emerging markets have used undervalued exchange rates to foster perspectives for their exposed sector. Some of the emerging economies benefiting from strong export growth have experienced real exchange rate depreciations, further opening up their current account surpluses. Appropriate exchange rate adjustments are needed, however, to allow economies to rebalance their internal and external demand components accordingly. The coordinated approaches to managing exchange rates would also improve the stability of the international financial system better protecting countries against uncoordinated extrication of the exchange rate and currency crises.

10. GAINS FROM FINANCIAL GLOBALIZATION/INTEGRATION

The gains from financial integration have not been as large or widespread as many economists expected when they confronted the data. Kose, et al. 2006, surveyed the very large body of research on the gains from integration on the extent to which it has fostered economic growth in the developing countries, and concluded that, "a key theme that comes out of our survey of existing empirical studies is that macro-level data often do not, and perhaps cannot, offer definitive answers about the effects of financial globalization. Further research based on industry- and firm-level data as well as event and case studies may provide useful corroborative evidence and, often, more informative insights about the channels through which these effects operate. In the meantime, we should recognize that some of the more extreme polemical claims made about the effects of financial globalization on developing countries, both pro and con, are far less easy to substantiate than either side generally cares to admit".

Those studies that survive their scrutiny, moreover, suggest that the main gains from integration do not derive directly from the transfer of capital from rich to poor countries; they derive from the contribution of financial integration to the quality of institutions in the capital-importing countries, including improvements in corporate governance, the quality of banking supervision, and the deepening of financial markets. However, the countries that would benefit most markedly from these indirect effects of financial integration may not be able to attract much foreign capital precisely because their institutions are far too weak to attract foreign investors.

11. THE RISKS OF FINANCIAL GLOBALIZATION

A number of research papers have attempted to reconcile the disparity between theory and empirical evidence on the benefits of financial globalization by suggesting that the costs, including crises, are in the nature of growing pains that will recede once globalizing economies achieve fuller integration. This finding partly aligns with the results about financial integration generating collateral benefits and thereby eventually having a positive impact on economic growth. Similarly, Martinez, Tornell and Westermann (2004) argue that crises are the price that must be paid to attain rapid growth in the presence of contract enforceability problems.

It is evident that financial globalization carries a short-run cost, one that must inevitably be paid if a developing country, which typically has weak institutions and a fragile financial sector, wants to move on to a high-growth path. It is also found in the literature that financial globalization could serve as a useful catalyst for improving domestic institutions and financial markets, but it appears that developing countries face an Hobson's choice, that is, you either globalize and improve growth prospects at a cost of vulnerability to painful crises; otherwise you bear the cost of being stuck in a low-growth environment. The reality is that developing economies may ultimately have little choice but to accept financial globalization since being in a state of autarky could become increasingly costly in terms of foregone long-term economic welfare, both in absolute and relative terms.

If one can identify which reform priorities are the key ones for a particular country, then one can design an approach to capital account liberalization that could generate specific benefits while minimizing the associated risks. For instance, Prasad and Rajan (2008) proposed an approach to controlled capital account liberalization for economies trying to manage their exchange rates while experiencing large inflows. Their approach, which would essentially involve securitizing inflows via private mutual funds that would invest abroad, would generate benefits such as development of domestic financial markets (through the issuance and trading of securities) and would also give domestic agents access to international portfolio diversification opportunities. But the outflows would be controlled both in terms of quantity and timing, thereby reducing the risks. This could mitigate the problem noted by Bhagwati (1998) that once opened; capital accounts can subsequently be difficult to close even if circumstances should warrant it.

Krugman (2002) posited that growing integration does predispose the world economy toward more crises, mainly because it creates pressures on governments to relax financial restrictions that in earlier decades made 1990s-style financial crises much less likely. His position was that, in the long run, integration may solve the problems it initially creates. Rodrik (2007) emphasizes the importance of creating an efficient "policy space" that could help address the risks associated with trade and financial integration. According to Hausmann, Rodrik and Velasco (2005), it is critical to identify the major constraints that hamper economic growth and what should be the possible solutions to eliminate them.

12. THE EXTENT AND LIMIT OF FINANCIAL GLOBALIZATION

Many authors attempted to construct indices to quantify the extent of formal barriers to trade in financial assets and how these barriers evolve over time. Eichengreen (2001) discussed many of these indices and their limitations, in the process of documenting financial globalization. Three of these indices are discussed below.

Since 1950, the IMF has published yearly information on restrictions on financial transactions. Quinn (1997) carefully codes this information to construct an index of openness, where the index takes a value of 12 for a country that is completely opened and a value of zero for a country that is completely closed. Quinn's index shows that the United States is completely opened except during a brief period. However, the United States is an exception. For instance, for the United Kingdom, the index was 3.5 in 1950 and rose to 12 only in 1979. In 1997, the last year for which the index was available for a large number of countries, only a handful of countries that are not among the developed countries were fully opened. On average, developing countries in 1997 have the same degree of openness as the developed countries in the late 1970s, but there is more variance in the index among developing countries in 1997 than there was among developed countries in the late 1970s.

Kaminsky and Schmuckler (2002) provided another index, which measures the liberalization of equity investment, the financial sector, and the capital account. For each component, the index identifies three regimes: fully liberalized, partially liberalized, and repressed. In the index, a value of 1 indicates that a sector is repressed and a value of 3 indicates that it is fully liberalized. The openness index is the average of the three sector indexes. They also computed the index for 28 countries including both the highly developed and the less developed countries. In 1973, the first year for which the index was available, the cross-country average was 1.43. No country was fully liberalized at the start of the index. By October 2002, the average was 2.82. Only three of the 28 countries were not fully liberalized, namely, Argentina, Malaysia, and the Philippines.

A third index, constructed by Edison and Warnock (2003), shows the fraction of a country's equity capitalization represented by shares that foreign investors are not allowed to acquire. This measure exists only for less developed countries. The index starts in 1989, when only 33% of the market capitalization was available to foreign investors for the 14 countries for which the authors report data. By 2000, this fraction, computed across 28 countries, had risen to 76%.

The fact that this measure were related to the extent to which trade takes place, by taking the foreign assets held by investors in countries for which continuous data are available as a fraction of GDP, or taking the gross cross-border trading by foreign investors; the result still reflects a dramatic increase in foreign assets to GDP since 1945 which has accelerated in recent years; and increase in cross-border gross flows is consistent with a substantial reduction in barriers to trade in securities across countries.

The conclusion is that the global financial system is both a source of strength and a source of risk, and thus calls for close cooperation among the world's major countries. The IMF has thus rightly taken steps to foster close cooperation. Its new emphasis on multilateral surveillance is meant to remind the major countries that they are jointly responsible for the stability of the international financial system. Whether it will have the courage to take the next step and propose on its own the steps that those countries must take individually remains to be seen. The IMF cannot compel compliance, but it can and should be prepared to "name and shame" if the key countries, including the United States, fail to take the steps required to maintain the stability of the financial system and, indeed, the world trading system. The implication of this, therefore, is that financial globalization had assumed greater attention in the developed countries for over two decades before the developing countries took a queue, and this was responsible for the disparities in the level of economic development and growth.

13. JUSTIFICATION OF THE STUDY

This study provides impetus to further confirm and take advantage of the benefits derivable from financial globalization, such as the increasing share of developing countries of world trade as a country's exports make-up as an important indicator for success. There is need to resolve the pertinent questions as to what are the impacts of financial globalization on the development of economic and financial systems in Nigerian; what are the impediments and conditions that had been responsible for Nigerian financial system to be inefficient and un-trusted within global community; to what extent has financial globalization been of benefit to the economic growth of less developed and emerging nations of the world using the example of Nigeria; and what are the lessons that can be learnt from the experiences of financial globalization in relation to economic development of Nigeria, compared to the rest of the world?

14. THE STATEMENT OF THE PROBLEMS

The recent wave of financial globalization since the mid-1980s has been marked by a surge in capital flows among industrial countries and, between industrial and developing countries. While these capital flows have been associated with high growth rates in some developing countries, a number of countries have experienced episodic collapses in growth rates and significant financial crises over the same period, exacting a serious toll in terms of macro-economic and social costs. As a result, an intense debate has emerged in both academic and policy circles about the effects of financial globalization on developing economies.

Globalization as a political project is significant, but potentially damaging for a lot of poorer nations. It is really looked at as a means to exploit the larger process. Nevertheless, financial globalization when linked to the connectivity in economic and cultural life across the world has been growing for centuries. But evidences abound to the fact that the concept had contributed greatly to the increased pace of economic and industrial revolution that now characterized our national agenda. The increased attention now being given to the Nigeria's Vision 20:2020 programme and the enforcement of the eight Millennium Development Goals of eradicating Extreme Poverty and Hunger; ensuring Environmental Sustainability; and developing a Global Partnership for Development (DPD), amongst others; is note-worthy.

However, it is evident that financial globalization has had an adverse impact on household savings, by squeezing wage incomes; by banks moving away from the business of long-term investment projects, to become heavily involved in lending to consumers and governments; and by raising the propensity to consume, including luxury goods, which have fuelled speculative purchases of real estate through the phenomenon. Resultantly, the countries that have embraced financial globalization and rapidly liberalized trade and finance have often had to deal with volatile capital movements, rapid shifts in exchange rates, and speculative boom–bust cycles. Financial and balance of payments crises of increasing severity have become a regular feature of the economic landscape, culminating in the deepest economic collapse since the Great Depression.

It is therefore imperative to continue to engage in research work in this contemporary economic and political phenomenon to introduce reforms and create peculiar agenda for peculiar economic environment, in order to allay obvious fears and risks, which may not be conducive for universal economic integration and eradication of economic imperialism.

15. OBJECTIVES OF STUDY

It is indisputable to affirm that a positive impact of financial globalization on Nigerian financial system will be a magic wand to financial and economic freedom which is the only way worthy of adoption towards Nigeria's efforts at diversification (Clinton, 2000). This study is therefore intended to examine some key concepts in the theory and experiences of financial globalization and Nigerian economic development and transformation agenda.

The study explores all the benefits and challenges that had accrued and could still accrue to Nigeria as a developing and emerging economy. It is noted that in recent years, Nigeria has been experiencing a growth turnaround and conditions seem right for launching onto a path of sustained and rapid growth, to justify its ranking amongst the N-11 countries (identified by Goldman Sachs).

Moreover, the broad objective of this study is to explicate the impact of financial globalization on the economic development of less developed countries of the world. This would enable a proper assessment of their level of competitiveness and effective allocation of financial resources. Specifically, this study will investigate the extent to which the lessons learnt from the experiences of financial globalization around the world have impacted specifically on the direction of the Nigerian economic and financial system development.

16. RESEARCH HYPOTHESIS

H0 = ß1 = ß2 = ß3 = ß4 =0

H1 = ß1 = ß2 = ß3 = ß4 ≠ 0

H0: The advent of financial globalization has impacted significantly on the growth of Developing countries of Africa compared with the rest of the world.

H1: The advent of financial globalization has not impacted significantly on the growth of Developing countries of Africa compared with the rest of the world.

17. RESEARCH METHODOLOGY

Consideration is given to two different methods of collecting data namely a qualitative approach and a quantitative approach in this methodology (Creswell, 2003). This study explores the combination of both quantitative and qualitative analyses as the research is based mainly on secondary data which is to be descriptive and analytical to determine whether financial globalization exact a positive or negative impact on economic development of developing countries of Africa.

Data was sourced from books, articles, newspapers, magazines, publications and journals, as well as information sourced from the internet. The method of data collection applied here was documentary research in line with open approach of collection of documents (Fisher, 2004). The research design used is a combination of Literature Review and Philosophical design. The research strategy involves mainly qualitative approach, allowing for the discovery of alternative perspectives to the study.

18. MODEL SPECIFICATION

The data for the financial globalization was measured as balances in the foreign reserves as a share of GDP for the period 1990 to 2011. The independent variables include Interest rates, exchange rates, inflation rate as well as stock market valuation. The Model equation is established as follows:

$$GDP = f(FR, INTR, INFR, EXCHR)$$

$$GDP = f(STCMKT, INTR, INFR, EXCHR)$$

$$Y1 = ßo + ß1\,X1 + ß2X2 + ß3\,X3 + ß4X4 + \mu í$$

$$GDP = ßo + ß1\,FR + ß2\,INTR + ß3\,INFR + ß4\,EXCHR + \mu í$$

Where,

X1	=	FR/STCMKT	=	Foreign Reserve/Stock Market Value
X2	=	INTR	=	Interest Rate
X3	=	INFR	=	Inflation Rate
X4	=	EXCHR	=	Exchange Rate

GDP = Gross Domestic Products (dependent variable) defined at basic prices.

"ßo" denotes the intercept term, that is, the mean or average effect on dependent variable of all the variables excluded from the model,

especially when all the explanatory variables are set at zero values.

"ß1….ß4" are the parameters or partial regression co-efficient of the model, measuring the change in the mean value of the GDP per unit change in individual explanatory variable, while holding the values of others constant.

"μ" is the stochastic disturbances term representing all factors that have influence on the model but which are not explicitly taken into account and also have well-defined probabilistic properties.

Regression analysis technique is used in this study to express the relationship between the variables chosen, i.e. financial globalization expressed in terms of the size of foreign financial assets and liabilities [Foreign Reserves balances] and Gross Domestic Product [GDP], in a behavioural form, and so on for other variables specified. This will provide estimation in form of the causal relationship between the dependent [foreign reserves] and independent variable [GDP].

This data for at least a period of 20 years was used, beginning from 1990 to recognize the trend analysis. On this basis a particular variable was predicted given the other variable, by Ordinary Linear Regression [OLR] analysis using Statistical Package for Social Sciences [SPSS] Technique.

The decision rule was based on this scenario that, if the probabilities of the F-Statistics and T- statistics are less than 5% or the calculated values of these statistics are greater than the theoretical values, the parameters estimates are held significant. The dependent variable is represented by "y" which is driven by another variable "x" [the independent variable]. It is further supposed that the relationship between the two variables is linear. If it is estimated that "ί" represents the observations on the data pairs (x, y), the Simple Linear Regression model is thus stated as: *yί = ßo + ßί xί + µί*

The parameters *ßo* and *ßί* represent the y-intercept and the slope of the relationship respectively. Then, the minimized Sum of Square Residual [SSR] after attaching relevant parameters to determine the co-efficients βo and βί [capped] to the regression function above using Ordinary Least Square [OLS], is obtained as follows:

$$SSR = \sum ui^2 = \sum (yi - yi)^2 = \sum (yi - \beta o - \beta í\, xí)^2$$

These equations are then solved jointly to yield the estimated coefficients. *Such that:*

$$\beta o = y - \beta í\, x \quad \text{and} \quad \beta í = \frac{\sum xiyi \ - y(\sum xi)}{\{\sum(xi^2) - x(\sum xi)\}}$$

19. RESULTS AND DISCUSSION

Summary Table

	EXCHR	FR	GDP	INFR	INTR	STOCKMKT
Mean	91.51366	9.131818	15.30182	16.73136	19.48636	13.26591
Median	106.8000	8.940000	15.35500	13.85000	18.34000	13.23500
Maximum	158.2700	10.88000	17.27000	47.60000	29.80000	16.50000
Minimum	8.037000	7.270000	12.50000	6.600000	13.54000	9.700000
8 Std. Dev.	48.99656	1.211876	1.504620	10.06830	3.560788	2.253327
Skewness	-0.518963	-0.059472	-0.393188	1.577309	1.209183	-0.063564
Kurtosis	1.927957	1.842834	2.025532	5.333834	4.726187	1.714781
Jarque-Bera	2.041018	1.240416	1.437312	14.11520	8.092532	1.528953
Probability	0.360411	0.537833	0.487407	0.000861	0.017488	0.465578
Sum	2013.301	200.9000	336.6400	368.0900	428.7000	291.8500
Sum Sq. Dev.	50413.91	30.84153	47.54153	2128.782	266.2635	106.6271
Observations	22	22	22	22	22	22

SOURCE: *SPSS SOFTWARE*

Table I

Dependent Variable: GDP
Method: Least Squares
Date: 12/11/12 Time: 11:53
Sample: 1990 2011
Included observations: 22

Variable	Coefficient	Std. Error	t-Statistic	Prob.
FR	1.084908	0.134991	8.036889	0.0000
C	5.394633	1.243032	4.339897	0.0003

R-squared	0.763570	Mean dependent var	15.30182
Adjusted R-squared	0.751748	S.D. dependent var	1.504620
S.E. of regression	0.749675	Akaike info criterion	2.348154
Sum squared resid	11.24025	Schwarz criterion	2.447340
Log likelihood	-23.82969	Hannan-Quinn criter.	2.371519
F-statistic	64.59158	Durbin-Watson stat	0.556526
Prob(F-statistic)	0.000000		

SOURCE: *SPSS SOFTWARE*

Table II

Dependent Variable: GDP
Method: Least Squares
Date: 12/11/12 Time: 11:54
Sample: 1990 2011
Included observations: 22

Variable	Coefficient	Std. Error	t-Statistic	Prob.
EXCHR	0.023549	0.002522	9.338079	0.0000
FR	0.301870	0.123299	2.448272	0.0255
INFR	0.010271	0.009043	1.135776	0.2718
INTR	-0.030981	0.023618	-1.311718	0.2071
C	10.82196	1.311197	8.253494	0.0000

R-squared	0.964018	Mean dependent var	15.30182
Adjusted R-squared	0.955552	S.D. dependent var	1.504620
S.E. of regression	0.317216	Akaike info criterion	0.738246
Sum squared resid	1.710637	Schwarz criterion	0.986210
Log likelihood	-3.120703	Hannan-Quinn criter.	0.796659
F-statistic	113.8648	Durbin-Watson stat	1.314701
Prob(F-statistic)	0.000000		

SOURCE: *SPSS SOFTWARE*

Table III

Dependent Variable: GDP
Method: Least Squares
Date: 12/11/12 Time: 11:55
Sample: 1990 2011
Included observations: 22

Variable	Coefficient	Std. Error	t-Statistic	Prob.
STOCKMKT	0.641413	0.041507	15.45327	0.0000
C	6.792887	0.558154	12.17028	0.0000

R-squared	0.922721	Mean dependent var	15.30182
Adjusted R-squared	0.918857	S.D. dependent var	1.504620
S.E. of regression	0.428599	Akaike info criterion	1.229919
Sum squared resid	3.673946	Schwarz criterion	1.329105
Log likelihood	-11.52911	Hannan-Quinn criter.	1.253284
F-statistic	238.8036	Durbin-Watson stat	1.419502
Prob(F-statistic)	0.000000		

SOURCE: *SPSS SOFTWARE*

Using the results of the Least Square Linear Regression on LOG-GDP from Table II above,

GDP = *ßo + ß1 FR + ß2 INTR + ß3 INFR + ß4 EXCHR + µí*

This is further expressed as follows:

GDP = 10.82196 + 0.301870 FR – 0.030981INTR + 0.010271INFR + 0.023549 EXCHR

Se =	(1.311197)	(0.123299)	(0.023618)	(0.009043)	(0.002522)
t-Statistic =	(8.253494)	(2.448272)	(-1.311718)	(1.135776)	(9.338079)
Prob. =	(0.0000)	(0.0255)	(0.2071)	(0.2718)	(0.0000)
R^2 =	0.964018	R^2 [Adjusted] =	0.955552		

20. DISCUSSON OF RESULTS

The interpretation of the estimated parameters of the model is stated below:

If the influences of INTR, INFR and EXCHR are held constant, the 0.301870 partial regression coefficient of Foreign Reserve [FR], the implication is that, as FR increases by a unit, on the average, the GDP [Gross Domestic Products] also increases by at least 0.301870 [30.2%]; as INTR increases by a unit, on the average, the GDP [Gross Domestic Products] decreases by at least 0.030981 [3.1%]; as INFR increases by a unit, on the average, the GDP [Gross Domestic Products] also increases by at least 0.010271 [1.03%]; as INFR increases by a unit, on the average, the GDP [Gross Domestic Products] also increases by at least 0.010271 [1.03%]; and as EXCHR increases by a unit, on the average, the GDP [Gross Domestic Products] also increases by at least 0.023549 [2.35%].

Hence, from the foregoing, and based on the true theoretical criteria with *a-priori* expectation associated with the correlation of the dependent variables in relation to the independent variables, it can be said that the model makes economic sense. The intercept value of 0.023549 or about 2.4% can be mechanically interpreted to mean that, by fixing the values of all the explanatory variables at zero values, the mean or average value of GDP will increase periodically by about 2.4 percent.

Therefore, by setting the H0 [Null Hypothesis] and H1 [Alternative Hypothesis] as follows:

H0 = $ß1 = ß2 = ß3 = ß4 = 0$

H1 = $ß1 = ß2 = ß3 = ß4 \neq 0$

The H0 is interpreted as saying that Gross Domestic Products [GDP] is dependent on Foreign Reserves, Inflation rate, Interest rate and Exchange

rate alone in the economy; while H1 is said to suggest that, apart from all the above mentioned variables, GDP can still be influenced by other exogenous factors, which are assumed to be captured by the stochastic variable term μ. The exact probability of obtaining t-statistic value of 8.253494 is zero [0] for the intercept under H0. Therefore, if we reject H0, there is zero probability of our committing tab1 error, so H0 is rejected and we accept H1 based on probability value.

For the influence of foreign reserve on GDP [*ß1*], the probability of obtaining t-statistic value of 2.448272 is 0.0255 under H0. Therefore, if we

reject H0, there is a 2.55 % probability of our committing tab1 error, so H0 is rejected and H1 is accepted based on probability value. For the

influence of Interest rate on GDP [*ß2*], the probability of obtaining t-statistic value of -1.311718 is 0.2071 under H0. Therefore, if we reject H0,

there is a 20.71% probability of our committing tab.1 error, which is a beat high, so H0 is accepted and H1 is rejected, based on probability value. For the influence of Inflation rate on GDP [*ß3*], the probability of obtaining t-statistic value of 1.135776 is 0.2718 under H0. Therefore, if

we reject H0, there is a 27.2 % probability of our committing tab.1 error, which is a beat high, so H0 is accepted and H1 is rejected, based on probability value. For the influence of Exchange rate on GDP [*ß4*], the probability of obtaining t-statistic value of 9.338079 is zero [0] under H0.

Therefore, if we reject H0, there is zero probability of our committing tab1 error, so H0 is rejected and we accept H1, based on probability value.

On the whole, the influences of all the dependent variables except Interest rate, are considered highly significant on the value of Gross Domestic Products [GDP], with t-statistic values exceeding unity and probability values closer or equal to zero; having assumed our level of significance to between 1% and 5% and t-stat vale of a minimum of 1.96.

Finally, from the regression result on LOG-GDP, we can say that, the explanatory variables [FR, INTR, INFR and EXCHR] highly explained the dependent variables, GDP, by at least 0.964 or 96.4%, which is the value of the R^2 [which is not far from the adjusted R^2 of 0.955552(95.56%).

The residual of 3.6% is therefore considered as insignificant to our decision, and therefore ignored.

21. SUMMARY OF FINDINGS

Empirical evidences provided by previous researchers and the one conducted by this researcher was able to justify the objectives of this study. The study discovered that financial globalization contributed to the economic development of developed countries far more than it did for developing countries, especially, in Africa.

It was discovered that, financial Globalization was responsible for the breaking apart of the trade impediments between nations, and the flow of capital and corporate investments between different countries was intensified; the proportion of national income accruing to the financial sector has increased across all countries and regions; standard growth theory predicts that financial liberalization helps to accelerate growth in low-income countries through four basic channels (namely increased access to liquidity, which allows the domestic financial sector to develop and brings down the cost of capital, the fall in interest rates in emerging economies helps to alleviate poverty and reduce inter-country income inequality by reducing the borrowing constraints of the households who hitherto had less access to finance, a deeper domestic financial market steepens up competition among banks, which is conducive to a more efficient allocation of funds, thereby improving long-term productivity and growth, with improved opportunities for international risk-sharing, countries are better able to exploit gains from specialization in international trade).

In Nigeria, among other countries of Africa, savings continue to flow from less to more developed economies, in contrast with theoretical predictions (the "Lucas paradox"). The presumption is that this may have to do with a lack of domestic financial market development, with adverse effects on the rates of return necessary to attract international investors and to prevent capital outflows of excess savings. The main gains from integration do not derive directly from the transfer of capital from rich to poor countries; they derive from the contribution of financial integration to the quality of institutions in the capital-importing countries, including improvements in corporate governance, the quality of banking supervision, and the deepening of financial markets.

22. RECOMMENDATION

The International Monetary Fund [IMF] work in promulgating standards and codes for best practices on transparency and financial supervision, as well as sound macroeconomic frameworks, is crucial. It is therefore essential that developing countries must exercise serious caution to avoid severe disorder and high cost of stock market turbulence, bank failures, corporate bankruptcies, currency depreciation, and the like. It is thus, recommended that government of any country in Africa should work out policies towards accelerating infrastructural development to create conducive environment for graduate employment capable of accelerating economic development. Nigeria and other developing countries should build necessary precautions and shock-absorbers into their capital market operations and processes.

It is imperative that only policy makers that are strongly influenced by questions regarding inequality and volatility will want to impose strict limits on international financial flows and domestic financial development to avoid financial crises. It has been discovered that financial globalization carries a cost, one that must inevitably be paid if a developing country, which typically has weak institutions and a fragile financial sector, wants to move on to a high-growth path. Financial globalization must clearly be based on considerable policy relevance, especially with major economies like China and India recently taking steps to open up their capital accounts. The move towards complete involvement in financial globalization must be gradual, especially in developing countries to avoid contagion effect that can result to negative economic growth.

To avoid "Lucas paradox", (the observation that capital does not flow from developed countries to developing countries despite the fact that

developing countries have lower levels of capital per worker). Nigeria must focus on accelerated capital market development to accommodate

effective inflow of foreign investment and capital from developed nations, which is the hallmark of financial globalization.

23. CONCLUSION

There are loads of advantages that the world is enjoying today due to financial globalization. It has enhanced capital flow in each and every country and thus a country may always remain prepared to counter any financial crisis. The capital flows between nations has increased, resulting to a well-organized world allocation of money. Also, globalization of finance has improved living standards of the people.

Financial globalization is the safeguard to defend against national shocks, and an excellent system for more efficient global allocation of resources. The stock market capitalization is still very low in Africa, representing only 2.09% of world Stock market capitalization as at end of 2008. Furthermore, African banking assets represent only 0.87% of global banking assets, compared to 58.15% for the 15 countries of the Euro zone and 15.09% for the United States. Africa's financial globalization ratio is comparable to Latin America's, at 181.3% and 176.4%, respectively, far behind that of Asia at 369.8% and Japan at 495.7%.

Despite all theoretical evidences identified to confirm a number of channels through which international financial integration can promote economic growth in developing countries; a systematic examination of the evidence, however, reveals that it is difficult to establish a strong causal relationship. In other words, there is yet no clear and robust empirical proof that the impact of financial integration on growth is positive or quantitatively significant. The beneficial effects or impact of financial globalization are more likely to be detected when the developing countries have a certain amount of absorptive capacity. It is established that, in addition to sound macroeconomic policies, improved governance and institutions have an important impact on a country's ability to attract less volatile capital inflows as well as its vulnerability to crises.

Developing countries have not fully attained international financial integration. Indeed, the process of capital account liberalization appears to have been accompanied, in some cases, by increased vulnerability to crises, as cross-country financial linkages [financial globalization] heightens these risks and amplify the effects of various shocks and transmit them more quickly across national borders. Also reduction in volatility is observed only after countries have attained a particular level of financial integration. It is worth noting, however, that fixed or de- facto fixed exchange rate regimes and excessive government borrowing appear to be major factors that have compounded the problems that some developing countries have had in managing capital flows.

It can therefore be concluded that the impact of financial globalization on any country's economic development remains positive and crucial, and had been justified by this study. That is, the global financial system is both a source of strength and a source of risk, and thus calls for close cooperation among the world's major countries. However, this impact had been felt more by developed countries in comparison developing countries, like Nigeria.

LIMITATION OF THE STUDY

The major limitation of study was the difficult experienced in obtaining latest available relevant literature and data in this hitherto area of study, due to a typical crude manner of data storage in Nigeria.

SCOPE FOR FURTHER STUDY

Although the concept of Financial Globalization is universal, this study only explored the relevance of this concept to Nigerian economic growth and development in recent times. It is common knowledge that the Nigerian society has peculiarity that fails to take adequate records of economic statistics; however, data covering the period 2000 to 2011 was obtained and analysed to justify the objectives of study.

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Appendix

THE DATA

YEAR	FOREIGN	FOREIGN	DEPLETION	STOCK MARKET	TOTAL	GDP @BASIC	INTEREST	INTEREST	EXC RATE	INFLATION
	RESERVE	RESERVE	(ACCRETION)	CAP	DEBTS	PRICES	RATE	RATE	DAS	RATE
			TO FX RESERVE		O/STANDG		PRIME	MRR/MPC		12-MTH
YEAR	MILLION [USD]	MILLION [N]	MILLION [N]	N' MILLIONS	Million $	N' Millions	%	%	%	AVERAGE
1990	4,541.45	-	(5,761.90)	16,300.0	-	267,549.99	25.50	18.50	-	-
1991	4,149.30	-	(15,796.60)	23,100.0	-	312,139.74	20.01	14.50	-	-
1992	1,554.61	-	(101,404.90)	31,200.0	-	532,613.83	29.80	17.50	-	-
1993	1,429.59	-	(41,736.80)	47,500.0	-	683,869.79	18.32	26.00	-	-
1994	1,658.80	36,327.72	42,623.30	66,300.0	91,494.00	899,863.22	21.00	13.50	21.90	-
1995	1,441.00	101,446.40	(195,216.30)	180,400.0	1,960,700.00	1,933,211.55	20.18	13.50	70.40	47.60
1996	4,074.70	284,414.06	(53,152.00)	285,800.0	617,320.00	2,702,719.13	19.74	13.50	69.80	29.30
1997	7,581.20	544,330.16	1,076.20	281,900.0	595,931.60	2,801,972.58	13.54	13.50	71.80	10.70
1998	7,100.00	545,280.00	(220,671.30)	262,600.0	633,017.00	2,708,430.86	18.29	14.31	76.80	7.90
1999	5,450.00	503,035.00	(326,634.30)	30,000.0	2,577,383.40	3,194,014.97	21.32	18.00	92.30	6.60
2000	9,910.40	1,007,887.68	314,139.20	472,300.0	28,273.70	4,582,127.29	17.98	13.50	101.70	6.90
2001	10,415.60	1,165,505.64	24,729.90	662,500.0	28,347.00	4,725,086.00	18.29	14.30	111.90	18.90
2002	7,681.10	929,413.10	(563,483.90)	764,900.0	30,992.00	6,912,381.25	24.85	19.00	121.00	12.90
2003	7,467.80	966,333.32	(162,298.20)	1,359,300.0	32,916.80	8,487,031.57	20.71	15.75	129.40	14.00
2004	16,955.00	2,263,492.50	1,124,157.20	2,112,500.0	35,944.70	11,411,066.91	19.18	15.00	133.50	15.00
2005	28,279.06	3,716,151.27	(1,488,092.10)	2,900,100.0	20,476.20	14,572,239.12	17.95	13.00	131.41	17.90
2006	42,298.00	5,393,417.98	(1,787,557.84)	5,121,000.0	3,545.00	18,564,594.73	17.26	10.00	127.51	8.20
2007	51,333.15	6,404,323.79	(1,127,212.84)	13,294,600.0	3,654.20	20,657,317.66	16.94	9.50	124.76	6.60
2008	53,000.36	6,242,382.40	(196,367.83)	9,562,990.0	3,720.40	24,296,329.29	15.14	9.75	117.78	11.60
2009	42,382.49	6,241,669.30	1,918,723.39	7,030,769.9	3,947.30	24,794,238.66	18.36	6.00	147.27	12.50
2010	32,339.25	4,802,702.02	(1,491,478.39)	9,918,200.0	4,578.80	29,205,782.96	17.59	6.25	148.51	13.70
2011	-	-	-	10,282,000.00	5,666.00		16.75	12.00	158.27	10.80

Source: *CBN Statistical Bulletins, 2011*