PROBLEMS AND PROSPECTS OF THE INFORMAL FINANCIAL MARKET IN NIGERIA *ADETILOYE K.A.*

ABSTRACT

To most monetary authorities the world-over, the informal financial sector is a challenge they have been unable to overcome. For obvious reasons the sector has been allowed to continue, while the formal financial institutions have been liberalized and deregulated to absorb the sector. However, apart from contending with the problems of condescending challenge form the regulatory authorities the sector has some other serous challenges. It's the intention of this presentation to prove that of all the problems attributable to informal finance market the basic problem confronting the sector is finance and high interest rates! Other problems seem manageable. While we look at the problems of informal finance and proffer solutions to the problems, we also take a look at the prospect and find out that it is greatest prospect lies in its ability to assist the borrowers and thus provide employment to semi-skilled sector of the market. Improving the sector is important as integrating the it into the formal institutions Nature: Exploratory

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Introduction

The informal financial market has been in existence for as long as the Nigerian, indeed the African society has existed. The evolution of this market has its roots in the culture and the practice of the indigenous people. Lately, a lot discourse has been generated about the size and the depth of informal finance in the financial system and its ability to assist in the development process through its intermediation activities toward the Economically Active Poor. It is found in the urban as well as rural areas (Tsai 2001) where 'curb markets' have been able to support industries and intermediation takes place in a way that is not fairly different from what exists in the rural areas, though Ghatak (1995:176) believes it is peculiar to the rural sector. Recent studies have shown that it is equally entrenched in the urban sector of the economy

Some have been noticed to multiply rapidly to the extent that they have been able to grow to eleven from one group in less than five years - this is done by continuous division of the existing group into geographical conveniences. For this group, resources available have increased from a paltry N12 million to a staggering sum of N76 million over the years. It has been equally observed that a number of these institutions that have met regularly became dissolved in later years, caused by mismanagement of funds and maladministration of the group, causing pain and untold hardship to the members.

The informal financial sector needs to be fully understood in its entire ramification in order to understand and appreciate its problems and proffer solutions to them. However the basic objectives of this paper are:

(a) To find out the basic problems hindering the effective performance of the intermediation role of the financial institutions in the informal sector,
(b) To find out, in the process, the most important and pressing of the problems,
(c) To investigate the solutions to the problems identified above,
(d) To examine the prospects of the informal financial market in Nigeria, and
(e) To take a prognostic look at the future of informal finance market in Nigeria and the possibility of integrating the sector into the formal institutions.

In order to do this, this paper is divided into seven sections. The section following this deals with the conceptual issues on the origin, theoretical issues and size and the significance of the informal financial market in Nigeria. This is followed by major challenges faced by the institutions in the market.

Methodology adopted in this study and assumptions made to do the study and findings are discussed next, while the next one deals with the analysis of the problems to ascertain which of the problems seems most pressing to the institution taken to represent the market. Solutions to the problems in order of magnitude are fully explored followed by the prospects of the sector. The final section deals with the recommendation for the government implementation and subsequently concludes the paper on what we expect in the next few decades.

CONCEPTUAL FRAMEWORK

Financial market in most Less Developed Countries (LDC) and Newly Industrialized Countries (NICs) are characterized by the strong existence of the informal financial groups, aggregating funds and making such funds available to those who need them. The markets are found in both urban and the rural sectors, though it is of rural origin (Tsai 2003). Informal finance, according to Shreiner (2000), is defined as contracts or agreements conducted without reference or recourse to the legal system, to exchange cash in the present for promises of cash in the future. In turn, micro finance is defined as formal schemes designed to improve the well being of the poor through better access to saving services and loans. Even in Africa where traditional savings institutions hold sway, it had been an ancient practice. A common characteristic of credit markets with weak legal institutions is the coexistence of formal and informal financial sectors (Madestam, 2005). This is a major bastion on which the informal sector rests in modern times. This sector can be differentiated from the wholly rural financial market (Paul 2002). The segregation came about as result of the imbibing of the rural sections of the informal market in the urban centers. The Nigerian informal financial system can be classified as that of the structural school (Hugon, 1990), which indicates that there are segments in the markets. The informal financial market has the same characteristics as modern financial system save that in the formal institutions transactions are not formalized in any standard manner (Ojo, 1975) The system is full of institutions follow age long practices which are steadily being imbibed in the urban areas. The distinction made on the urban and the rural sectors is important because of the roles performed by each of the segments. Tinberg and Aiyar (1980), report that the basic practices of the rural sector is different from the urban sector in that the rural credit groups include indigenous 'bankers' and

itinerant money lenders while the urban credit firms are simply credit associations that are involved in various types of intermediation activities. The institutions have three distinguishing features namely: lower transaction costs of borrowing and lending than the formal sector, they are successful in avoiding administrative controls on lending and borrowing rates and also succeed in escaping completely from the implicit taxation of the financial sector (Group 3 1997/98). The summary of the definitions of informal finance is that it consists of all the institutions and participants who do not come under the borrowing or lending of the organized sector, under the regulation and supervision of the Central bank (Dufhues and Heidhues, 2004).

Available Everywhere

The employment of other factors of production in the informal financial market has made it holistic such that it is indispensable for rural dwellers and has therefore become unavoidable for rural dwellers. Udry (1993) and Steel et al. (1997) contain much about the highly personal nature of the informal finance market in Africa. Factors such as labor and capital were fully involved; portions of land were transferred between participants. For what is known as usufruct loans, Udry in his study of Northern Nigeria, discovered people who offered themselves out in group-labor in rotary form, for services and these cemented the participants in the group (CBN, 2003). Apart from this, finance change hands frequently between them, depending on the type. These practices were given different names in the different settlements where they are practiced. In the Southwest in Nigeria it is called "oko aro" for rotary labor and other economic factors were given different names. The informal financial market is not LDCs phenomenon. It exists also developed financial market. Various reasons have been adduced to its sustenance and continuance, the most important of which is the gap that it fills in the developed economies (Gonzalez-Vega 2002). The participants in the sector hardly can visit the formal institutions for services. Savers, and consequently loan applicants are often in the social recesses of the society. Participants are not likely to be acceptable to the formal institution in their dealings; it is therefore difficult to wish away this market. The usefulness of the informal finance is seen in Ogunrinola et al (2005) where the model used revealed a significant relationship between savings and income of rural women studied.

The Size

The size of the market in Nigeria cannot be easily determined with precisio A lot of literature has described the informal credit market as being larger th the formal sector (Aryeetey and Hyuha: 1991) or being of considerable s (Tsai, 2003) as we have in China or notable (Tinberg and Ayair, 1980) in Ind It will not be exactly correct to use the total money outside the bank system as means of measurement but this has been used by the CBN as only measure available. The total money circulating in the banking system held by the Deposit Money Banks (DMBs). The CBN believes that 69.9 cent of the total resources outside the DMBs: that is cash outside the Bank system (COB) is involved in informal credit activities. The predominance of informal markets in Nigeria is said to have affected the level of rural cr operations of the DMBs (CBN 2003).

Other than the gap it fills in the developed financial markets, ano main reason for its continuous existence in Nigeria is the lack of efficie associated with the formal credit institutions, as they seem not to be intere in the rural sector where the informal credit initially predominates. Statistic the rural banking scheme showed a lag of planned against actual in the num of offices opened by the commercial banks. The successor of the rural ban scheme: the community and people banks performance were eq unimpressive. Of the total number of banks available in the country as at 2004 (pre consolidation) only 722 are located in the rural areas as against representing 20.7% of the total (CBN: 2004). The paucity of menu of ser directed to meet the needs of the participants in the informal sector made dependence on it to be insufficient. This, according to Agenor Hague (1996) limits substitutability and frustrates funds intermediation. factors have been identified as the poor assets definition by the DMBs, ma it difficult to separate the assets distinctly due to legal restrictions and struc inhibitions.

DESCRIPTION OF INSTITUTIONS

In order to fully appreciate the institutions involved in the informal in Nigeria, a succinct and brief description of these institutions will be do this stage. The paper is not overtly bothered by the evolution of any of t but rather give the modus operandi of the institutions in the informal

market. Six major types of informal credit institutions have been identified. However, it is plausible to accept the argument that the informal finance institutions migrated from the rural sector to the urban areas, where they have become accepted. Following this line of thought the institutions involved in the market is listed in order of importance: the level resources at their disposal.

*Cooperative Thrift and Credit Society are credit societies registered or otherwise (many are unregistered), that pool funds together from savings of participants for the purpose of lending to the members on request. The borrowing member on application receives between 150 to 300 per cent of his accumulated savings with the society. Members within the society guarantee loans, and repayments up to 18 months are allowed. For a plethora of reasons, default is not uncommon and collaterals are called in where it is noticed. This has been the major form of control of the lending of members. Membership ranges between ten and wenty-five. Bigger societies often expand by splitting up to form another one n a different location thus making accessibility easier for members.

Money lending is another common form of informal institution that lends noney resources at very high interest rates. The moneylender is often the articipant in the informal credit sector that people turn to as a last resort when need of funds. The interest rate charged by the moneylender is very high. he fund sourced here is often used for any purpose, but often for investment ther than any other purpose, because of the interest charged which is as gh as 100 per cent. Security comes in form of the investment or some real roperty and term is often a year or more, though extension is not uncommon. awn broking is grouped with this form of informal finance as it shares the me traits with money lending because of its high interest rates and strict nforcement of security. Default is negligible as borrowers work hard to redeem the end of the term. That the investment may not have net present value the borrower is another matter.

Savings and Periodic Contribution operators receive money from people tending to save regular amounts on regular basis usually on daily basis to be ceived at the end of the month, without interest. The income of the daily ntribution operator is received when the contributor makes the first contribution. rrowing is not often permitted except where the length of the relationship of e contributor with the operator is long established. Collaterals are seldom quired and default rate is low. Repayment term is often less than six months. ntributors are exposed to the risk of losing their contributions while the integrity of the operator is sine qua non to the success of the business, which takes time to build.

*Rotatory Contribution involves a group of people joined together by certa interest usually occupation or location agrees to contribute a fixed amou periodically for the members to receive in turns from the first to the last. They are also known as ROSCAs (rotating savings and credit associations). The range of the term here is between five to twenty months but often less. Once a member has agreed to join he is not allowed to pull out. Contributors have been known to do well for themselves with the contribution, which often finds its way to the formal sector. Blue and white-collar workers are frequently engage in this arrangement and is still popular among them.

BASIC PROBLEMS

The approach adopted in this paper to look into the problems of th informal finance sector is to discuss the problems common to them. We hav identified four institutions above. It is noteworthy that not all the have th ingredients of intermediation in their operations. Only three of them qualify fo treatment as credit institutions in our context, namely the cooperative an thrift society, the moneylender and the daily collector. In a small study carrie in Ogun state of Nigeria, the cooperative thrift and savings societies was use as proxy for an informal institution mainly because of its ubiquity and th general acceptance it has among the populace. It was discovered that out sample of 100 artisans 58 belong to cooperative societies, 26 are involved some regular contributions 2 are have been involved in money lending throu hire purchase contracts while 8 are planning to be involved in the two mentione above. The remaining 6 do not belong anywhere. A look into the mod operandi of these institutions reveals common problems to them to as follow

Lack of basic education of the operators in the business in which they a involved is one main problem. The operator only possesses basic education enable him make entries into the books in a very simple way, which does n fully reflect the nature of the transactions. Most lack the basic accounti knowledge and bookkeeping methods. Of the 13 operators of the cooperati societies 4 have graduate education, 6 have post-secondary or equivale while 3 have less than secondary education. Of the 6 with post seconda education only 3 took a course in social or management sciences. For t

cooperative, the operators lack requisite education to successfully run the organization; rules of the thumb are common in the administration of the finances and handling of credit in a convenient manner. Thus lack of education is denying the operators and contributors the opportunity making the best out of cooperative and thrift system.

A second problem is the maladiministration in the running of the business of finance that involved different groups as leaders of the cooperatives are appointed on the basis of popularity and charisma rather than capability and experience. In the business of financial intermediation, confidence is essential to gain people's trust for them to deposit their savings. For both the operators and the contributors, the trust required is lacking. Operators are not unknown to have converted the thrift's asset to personal use and subsequently have lost confidence of their contributors while borrowers have used the opportunity to disappear with borrowed funds. 13 of our survey respondents (artisans) have had the experience of failed cooperative but are not on the look out to ensure that the experience is not repeated. Much as the borrowing of the cooperative is unconstrained credit, borrowers are not unknown to divert the loans given to them for investment into other non-productive uses leading to a breach of trust and consequently difficulty in repaying.

Inadequate finance is another major challenge that the institutions in informal sector often face. As a result of monoculture business that the contributors are involved they often tend to have surplus and deficit at the same time. During the time of surplus funds are aggregated and invested in low yield investments, but not enough to go round during deficit periods. Low income often results in the low savings, which results in inadequate finance during the deficit periods. Borrowing from the formal sector is often not feasible as a result of lack of documentation and adequate collaterals.

Another problem associated with the institutions in the informal financial sector is the lack of registration by the government. Government's role in registering and supervision the institutions have not been effectively carried out. Informal finance like most other methods of intermediation requires the operators to be registered and regulated, as this will act as a check on operators who might want to be fraudulent. Regulations on the registrations of cooperatives have not been followed as only 3 of those surveyed are registered but not supervised; neither is there any measure taken against those not registered.

This has allowed the operators the opportunity to run the institution as if they own them. Though the operators are aware that registration is required they are often adamant and refuse to register with the State, as this will enable them to avoid supervision, regulation and control.

The problem of high interest rates is another one. All the forms of finance in the sector are expensive in terms of the cost. Rates of interest applied on the loans granted to contributors or borrowers are not market-driven. With such expensive cost of finance, use of such finance can hardly be undertaken. In a few cases where the borrower is able to use such funds as we have in money lending, the lives of borrowers are not better off. The co-operative and thrift have interest rates not directly related to the market structure but are nonetheless expensive in the long run because High rate of interest. Default rates are low for some of the institutions but a few ones have stopped operating as a result of bad loans. For money lending, the operator falls back on the investment or the chattel used to secure such finance while the cooperatives have depended on the internal guarantees secured among themselves and the daily contributor depends on the integrity of the borrower to pay as promised. As a result of this, most daily contributors are not engaged in lending of any sort. A challenge noticed among the cooperatives is the lack of confidence by some that discourage prospective members. The three institutions provide finance and have different perspectives to the financing of propositions brought to them. Lenders in the informal sector have no array of products that can be employed by borrowers. This means that all request go through the same criteria of approval. Borrowers in the sector have different requests, which should not be met by employing the same yardstick, to appraise their propositions. For instance, a loan to support trading will hardly be useful for anybody who wants to purchase equipment, which would not be useful for the driver who is hoping to purchase a vehicle of his own. Lack of structured credit has been the bane of some of the institutions, as they cannot adapt to the needs of their members.

METHODOLOGY.

To capture the problems and their relative importance, a study was conducted to reveal the problems enunciated earlier. Since the cooperative is the most popular in this part of the informal credit market, there was the need to seek a broad spectrum to have a balanced view of the problems of the

institutions. This involved the categorization of the various cooperatives into different groups according to occupations. Since most cooperatives are formed on basis of common interests or geographical convenience, then they can either be categorized according to occupation or on geographical basis. In this way eight groups were identified out of which thirteen cooperatives were selected for the purpose of the survey: namely taxi-drivers (1), market-women (3), academic (1), manufacturing companies (2), school teachers (1), mechanics (1), petty traders (2), farmers (1) artisans (1). Procedure adopted and used was based on the availability; convenience sampling was therefore used to pick the responding cooperatives. The administrative setup of most cooperatives has a minimum of three executives: the financial secretary, the president, and the treasurer. Of the three position, response to the questionnaires by the secretary and the treasurer are important as they often hold the records of the Thrifts and are more knowledgeable than other cooperators. Responses were graded from 9 to 1 for acute to no problem. Responses do not allow 10 or 0. The response is analyzed with the use of SPSS (Statistics Package for Social Scientists). The variables are distributed as follows:

Var. 1 Madmin	Var. 2 Fin	Var. 3 Reg	Var. 4 L/Dflt	Var. 5 H/int	Var. 6 Cfdce	Var. 7 Educ
4	8	2	3	7	1	6
1	6	2	4	6	2	5
3	7	3	5	7	3	5
4	9	3	4	6	4	4
2	7	2	3	6	2	3
3	8	3	4	5	3	4
4	9	2	5	6	4	2
2	7	3	4	5	3	6
3	8	4	3	4	5	4
2	7	2	5	7	6	1
3	2	1	2	2	1	1
4	6	2	4	3	3	2
3	6	2	3	6	3	4

Where:
Var. 1 Maladminstration, var. 2 Finance, var. 3 Regulation, Var. 4 Loan Defau
var. 5 High interest rate, var.6 Confidence, var. 7 Education

OUTPUT

	Huber's M-Estimator	Tukey's Biweight	Hampel's M-Estimator	Andrews' Wave
VAR00001	2.9717	2.9579	2.9415	2.957
VAR00002	7.1348	7.3098	7.2332	7.309
VAR00003	.	.	.	
VAR00004	3.8047	3.7801	3.7746	3.780
VAR00005	5.6965	5.7551	5.6035	5.75
VAR00006	3.0000	2.9580	3.0000	2.95
VAR00007	3.7549	3.7918	3.6701	3.789

a The weighting constant is 1.339.
b The weighting constant is 4.685.
c The weighting constants are 1.700, 3.400, and 8.500
d The weighting constant is 1.340*pi.
e Some M-Estimators cannot be computed because of the highly centraliz distribution around the median.

M-estimators are robust alternatives to the sample mean and median estimating the center of location. The estimators calculated differ in the weig they apply to cases. Huber's M-estimator, Andrew's wave estimator, Hamp redescending M-estimator, and Tukey's bi-weight estimator are displayed.

SUMMARY OF DESCRIPTIVES

Descriptives	Var 1	Var 2	Var 3	Var 4	Var 5	Var 6	Var 7
Mean	2.931	6.9231	2.3846	3.7692	5.3846	3.0769	3.6154
S.E. Mn	2646	.4995	.2130	.2571	.4317	.3997.	4742
.95 Low	2.3465	5.8347	1.9205	3.2092	4.4440	2.2060	2.5822
.95 Upp	3.4996	8.0114	2.8487	4.3293	6.3253	3.9478	4.6485
5% TM	2.9701	7.0812	2.3718	3.7991	5.4829	3.0299	3.6282
Median	3	7	2	4	6	3	4
Variance	.910	3.244	.590	.859	2.423	2.077	2.923
Std Dev	9541	1.8010	.7679	.9268	1.5566	001.441	2 1.7079
Min.	1	2	1	2	2	1	1
Max.	4	9	4	5	7	5	6
Range	3	7	3	3	5	5	5
Inter R.	2	2	1	1.5	2	2	3
Skew.	-.507 .616	-1.686 .616	.456 .616	-2.11 .616	-1.078 . 616	436 .616	-.232 .616
Kurtosis	-.394 1.191	4.340 1.191	.517 1.191	-.546 1.191	-.498 1.191	.165 1.191	-1.032 1.191

RESULTS

The results show that the problems vary in terms of importance and magnitude. The comparison of the means of the problems across the cooperatives shows that the most pressing problems is that of finance with a mean of 6.231 and upper confidence limit of 8.0114 and variance of 3.244 standard deviation of 1.8010. All the other statistical parameters are high. This is followed by high rate of interest with the mean of 5.3846 and upper confidence limit of 6.3253. The next most serious problem is loan default with a mean of 3.7962 and a trimmed mean of 3.7991 with other statistics. Others in this order are Lack of education, confidence in the cooperatives, maladmnistration by the officials of the cooperative, and regulation by authorities. variable M-estimators could not recommend a mean for regulation as a problem because the cooperatives do not see it as a problem! This account for respondents' assignment of low values to the variable and its discounting as a problem. It is obvious that no institution would willingly submit itself to control, regulation and supervision!

RECOMMENDATION, PROSPECTS AND FUTURE OUTLOOK

The above problems are the ones noted from the operations of the main finance institutions involved in intermediation in the informal finance sector. The prospects are rooted in proving solution to the problems faced by the cooperatives. It is clear that the sector has been intermediating in informal sector because of the proximity to the people and the convenience it offers to members. The problem of finance can only be solved by linkage with the formal sector since most banks now are liquid with funds the cooperatives do themselves no good by not turning to them for adequate finance to execute member projects. Of course the problem of high interest rate is a market problem and solution to it can only be provided through the Non-Governmental Organizations that direct their energies towards a particular section. To meet the challenge of non repayment of advances made to members there will have to the need for adequate collaterisation of the advances made as it may be difficult to inform a contributor that his application for advance has been turned down because of lack of viability of his project with current method of internal guarantees. A proper regulation and supervision of registered cooperatives will provide a myriad of solutions to the other problems. The problems of maladminstration, poor regulation and confidence can easily be solved through regulation as there would be minimum and irreducible standards to met by any cooperative to be registered and allowed to function. Solutions to the problems are rooted in the regulation and supervision of their activities. The informal finance sector, which has major intermediating functions will survive and be integrated to the main stream of the financial system if they can be used to reach the population that cannot be reached by the formal institutions. Advocates who are proposing that the institutions be strengthened to care for the financial needs of members are of the opinion that members could relate to them rather than the formal institutions. However, for them to perform any of these roles they must reappraise their method of operation and be restructured to meet proper accounting standards such that they can earn contributors and members' confidence.

Today, the process of reforms in the sector should take the following pattern: the first of such things to be done is to register the existing ones and subject them to regulation, minimum accounting and bookkeeping standards.

his will enable their books and records to be examined with speed and ease. doing this the authorities will need to be firm and allow those that meet the nimum standards to exist and be given proper incentives in their operations. do this the supervisors will need to be increased and be highly motivated in e performance of their duties.

A second need is the education of the operators in the use of modern ethods of appraisal of loans and the borrowing of their members. This would lp in better risk assessment. However, the cooperative cannot force the rrowing member to utilize the funds on the purpose claimed. Equally important the need for the operators to be educated on proper accounting methods d simple way to draw up their profit and loss and arrive at a correct balance eet. This will enable them to prepare their profit and know what their portfolio el is. However, the education of the contributors and members present a eater challenge. Contributors may not see why certain loans cannot be commodated or why there has to be a delay in the approval of their requests. wever, this can be undertaken with the involvement of supervisors and ulators who will assist the operators in enabling members to understand the dus operandi of the new system in place.

ajor prospect of the institutions in the informal financial sector is its ability to bilize the rural and semi urban people. For a variety of purposes the people ed to be mobilized for certain objectives if this need would be met. On the ncial front, the savings of the people are mobilized for investments in the mal institutions thus grafting them into the mainstream of the financial tem. Economically, the groups can be used to meet the desired economic cy objectives of the government. These institutions can be powerful tools in hand of the government.

In the nearest future the informal financial sector will thin out as more more people are educated to use the formal financial system and more mal financial institutions become less elitist in their operations and their service very to the people and become more supportive in the economic pursuits heir customers. and when contributions to these institutions and the needs members of cooperative today can no longer be met their cooperatives more. We also believe that the introduction of the microfinance banking will act more of the informal players into the formal sector and they will come under regulation and supervision of the Central Bank. The current attitude of the government towards the activities of the operators of the system at present will no doubt encourage this. The majority of those who would need the assistance of the informal system after this would be those who would not be able to approach the formal institutions for other reasons apart from accessibility and those who are in the social recesses of the society.

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GLOBALISATION AND POLITICO-ECONOMIC CRISIS: NIGERIA AND SOUTH AFRICA IN PERSPECTIVE *Folorunso S. Aluko*

ABSTRACT

Today, the globalisation process, which has interlinked national economies into an interdependent global one and developed the sharing of set of global images, has made the vulnerability of these states to crises more intense. The problems that are concomitants of globalisation, which gave rise to socio-economic setbacks, have been dramatized by the acute poverty, wide income gap, low (negative in many cases) growth rate, etc. in the African states. The overall outcome in socio-economic performance terms of African 'globalising' states varies and with different implications for different segments of the citizenry. For a few in the society, globalisation has created opportunities for empowerment in economic and political terms, but the greatest majority of people in the society appear usually to be worse off. Globalisation thus deepens the contradictions between the weak and the powerful at the global and internal levels. This paper is directed at unraveling these conflicting realities, particularly the implications of the patterns for overall socio-economic development. A comparative study of the experiences of Nigeria and South Africa at 'globalising' permits a clearer appreciation of the nature, basis and trends of globalization. The globalising experiences of these two countries would be viewed within common framework-political economy. The central arguments of this paper are that, globalisation is imperialism guised in liberalization of the political economy with a view to furthering the hegemony of the Western industrial economies over the rest of the globe thus promoting unequal development; and that globalisation aggravates mass poverty in the African domestic economies thus deepening governance crisis. It is our conclusion that the above contradictions cannot be resolved in the short-run but managed.

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INTRODUCTION

The rise of world capitalism into a global system is made up of some distinct phases. The first phase is marked by the first contacts between Europe and the rest of the world. The major historical phenomenon this time (between 15th Century and 18th Century) was the trade human captives. The second phase is the 18th Century Industrial Revolution that not only made the trade in human captives moribund and unnecessary but also laid the foundation for the contemporary international economic system. The United Kingdom pioneered the Industrial Revolution and also dominated the global economic system till the first quarter of the 20th Century. London was the centre of international trade and finance and accounted for 36% of total global trade. The country also consumed about 27% of all primary products produced across the globe. The Great Depression of the late 1930s and the problems concomitant of it created the basis for a new world order that made globalization both inevitable and imperative at the close of the 20th Century. This marked yet another phase in the history of global capitalism (Mimiko; 1997:40).

The Post - Depression order led to the shift of the centre of international economic activities from the United Kingdom to the United States. It also propelled a chain of economic and political reforms across different parts of the globe. At the economic realm, liberalization of the prevailing import- export regime was vigorously pursed. Similarly, at the political realm, global machinery of control was put in place through the United Nations system. Other major events that characterized this phase included the hitherto unimaginable level and pace of development experienced in Eastern Europe following the Bolshevik Revolution of 1917 in Russia. The power configuration of the globe became defined by the cold war that was generated by the above development between Russia (by then, centre of socialism) and New York (centre of global capitalism). The challenge of the global order by the 3rd world as reflected in the oil crisis of the early 1970s and the clamor for a New International Economic Order were part of the last events in this 3rd phase (Mimiko; 1997:40).

The disintegration of the Soviet Bloc and the collapse of socialism in Eastern Europe brought an end to the cold war. This effectively created the basis for the full emergence of globalization, which represents the newest phase in the history of global capitalism.