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FINANCIAL LIBERALISATION, PRIMITIVE ACCUMULATION AND WHITE COLLAR CRIMES UNDER TWO REFORM REGIMES IN THE NIGERIAN BANKING SYSTEM

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Abstract

This paper examines neo-liberal reform in Nigeria through the lenses of the financial liberalisation. It argues that rather than engendering a new circle of capital accumulation as a cure to the crisis of accumulation believed to be caused by the failure of state capitalism, the market, contrary to the proponents of neo-liberal orthodoxy, engendered primitive capital accumulation and a burgeoning white-collar crime industry. Evidences of the perversion of the regime of banking and financial liberalisation were advanced from the period of the Structural Adjustment Programme (SAP) to the banking consolidation exercise under former President Olusegun Obasanjo. The paper shows how in the hand of a parasitic ruling class presiding over a dependent and decadent state with weak institutions, financial liberalisation constitutes a danger to the health of the economy of Nigeria. The paper argues that the indulgence in primitive capital accumulation and white-collar crimes in the context of banking and financial liberalisation engendered serious social and economic problems which complicated the crisis and contradictions of underdevelopment in Nigeria.

Introduction

The financial sector of a state is made up of all the institutions and activities that are involved in the mobilisation of savings which are later transmitted as investment in the productive sector of the state's economy. As Ojo (1992:2) notes, "the sector thus facilitates borrowing

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by the deficit economic units and saving by the surplus economic units through the intermediation of financial intermediaries". Ojo (1992:2) sub-divided the financial sector of a state into three, namely: banking, non-banking financial institutions (NBFI) and financial market. These sub-sectors of the financial sector are again segmented into money and capital markets, and the foreign exchange market. The banking sector however enjoys pride of place.

The dominance of the banking sub-sector over the other sub-sectors in the financial market is not peculiar to Nigeria. The financial markets of most developing nations approximate the Nigerian condition (Ojo, 1992). The financial market and NBFI in Nigeria are latecomers whose advent was heralded by the indigenisation policy of 1972 and the financial liberalisation component of the Structural Adjustment Programme (SAP) respectively. Endemic primitive capital accumulation (CPCA) under the SAP in Nigeria gave the NBFI negative prominence.

The incidence of PCA in the Nigerian banking and financial sector was historically rooted in the indigenisation exercise. With the federal government's acquisition of between 40-60 percent control in banks that were foreign owned, politicians and bureaucrats appointed to the boards of these banks had access to the funds of the banks. The rescue mission of the western and eastern regional governments in indigenous banks similarly promoted the regime of primitive accumulation in the banks.

The takeover of 100 percent and 99.8 percent equity respectively by the Western Region in Wema Bank and National Bank of Nigeria, as well as the acquisition by the Eastern Region government of 99 percent equity holding in African Continental Bank (ACB) provided the lever for regional notables to exploit the banks for self-enrichment.

Indigenisation from 1977 entailed the ownership of banks solely by Nigerians or by groups of Nigerians in partnership with foreigners. Similarly, indigenisation provided the opportunity for the Nigerian petty bourgeois and comprador classes to acquire shares and serve as directors in the foreign banks. Such appointments to the boards of banks in which government had interests promoted PCA, capital expropriation and income inequalities in Nigeria. Directorship and/

or ownership of banks have been used by privileged members of the domestic class as a mechanism of PCA and to build material bases as platform for political power which guarantees better and more robust PCA through the control over the state.

On the eve of liberalisation of Nigeria's financial market in 1986 the federal government dominance in the banking and insurance sub-sectors of the financial sector was firmly established, while state governments across the nation owned a number of banks (Lewis, 1993, cited in Lewis & Stein, 1997). This paper examines how under the reform programme, the banking and financial liberalisation was manipulated as a mechanism for primitive capital accumulation and white-collar crimes which find expressions in forgery, insider trading, foreign exchange speculation, bank fraud, embezzlement, security fraud and theft.

Conceptual and Theoretical Framework of Analysis

A major aspect of the Structural Adjustment Programme (SAP) imposed on Third World nations in the 1980s was the regime of financial liberalisation. The theoretical underpinning of financial liberalisation is rooted in the need to eliminate inefficiency which militates against productive investments in the economy. Thus, financial liberalisation is meant to engender ease of capital accumulation for expanded production that would ensure capitalist development by freeing and reallocating hitherto redundant, misallocated but investible capital so as to ensure a new cycle of capital formation.

This thinking flows from the works of McKinnon (1973) and Shaw (1973) on financial repression. The belief of this school of thought is that state interference and regulation both stifle and distort financial market, a condition that is dysfunctional for capital accumulation. This necessitates a reduced role for the state in financial matters and the economy. As Zephirin (1993:2) notes, "government role should be confined to maintain non-inflationary monetary growth and neutral fiscal policy".

A reduction in government interference in the economy in favour of the market will entail a shift from financial repression to the systematic invigoration of the financial market and the economy, thus ensuring efficient resource allocation. Financial liberalisation

as a mechanism for financial invigoration entails the strengthening of market forces in order for them to control and determine the allocation of resources in the credit and financial market under a new regime of financial intermediation.

For this reason, it is argued that financial intermediation should be such as ensures, "...the conversion of savings into loans and a set of rules, monitoring and enforcement mechanisms to enable the organisation to perform this function" (Johnson 2004:267). In this connection, floating interest rate regime is believed to be positively correlated to savings and investment (Fry, 1995, cited in Johnson, 2004). In order to achieve this objective, total deregulation of the financial market became a categorical imperative.

From the foregoing, it is apparent that the logic of financial liberalisation is that deregulation, flexible interest rates and seamless financial flow will attract both domestic savings and Foreign Direct Investment (FDI). Furthermore, deregulation would ensure the reallocation of hitherto misallocated resources to the productive sectors of the economy. This, it is believed, would unleash the forces of capitalist development in the Nigerian economy. However, there is a yawning gap between theory and practice with regards to financial liberalisation. This is because deregulation promotes the illusion of prosperity, with financial speculators reaping bountiful benefits which are not available to non-speculators in the financial markets. When every one joined in the rally, a false sense of prosperity sustained the illusion (Weller, 2001).

The experience of Nigeria with financial liberalisation bears testimony to the dangers of "speculative boom" and uncritical deregulation as financial liberalisation firmly consolidates pirate capitalism in Nigeria. This condition promotes what Bhagwati (1982) refers to as Directly Unproductive Profit-seeking (DUP) activities. Some scholars have cautioned on the deleterious consequences of financial liberalisation. In this respect Ojo (1992) notes that improper financial liberalisation is sure to produce, "widespread speculation, excessive risk-taking, fraud, irregularities, which could eventually give rise to widespread insolvency among debtors and financial intermediaries, financial instability and significant damage to the real economy".

Thus, financial liberalisation complicates the problems it was meant to resolve, especially by furthering a regime of white-collar crime that undermines productivity in the economy. The reason for the failure of the financial liberalisation in Nigeria, according to Lewis (1994) and Lewis and Stein (1997), was the weak nature of cognate institutions and macroeconomic indiscipline. It is not much of doing the right thing, if it is right at all, but doing the right thing rightly.

The Regime of Financial Liberalization and Primitive Capital Accumulation

The first effort at combating financial repression in the Nigerian financial market in the context of liberalisation was the Central Bank of Nigeria (CBN) policy on interest rates two years before the adoption of SAP. The action of the CBN was a consequence of the World Bank's (WB) dissatisfaction with the prevalence of financial inefficiency and misallocation of resource in the Nigerian financial market. The WB also argued that Nigeria was under-banked. Thus, SAP, among other objectives, sought to address these concerns through the comprehensive liberalisation of the Nigerian financial market.

In liberalising the Nigerian financial sector, the following actions were embarked upon by the Nigerian state:

1. Introduction of more liberal conditions for the opening of banks; a condition that saw the licensing of many new banks, and, much later in the adjustment years, the establishment of a array of Non-Banking Financial Institutions (NBFIs);
2. Deregulation of the hitherto rigid interest rates regime for both savings and lending. This was complemented with the introduction of a host of friendly monetary and fiscal policies;
3. The deregulation of foreign exchange with the commencement of inter-bank foreign exchange transactions leaving the allocation of foreign exchange to market forces as against government fiat.

These actions aimed at financial liberalisation seriously eroded the traditional accumulation basis of the dominant class in Nigeria. Some of the traditional accumulation mechanisms that were negatively affected by financial liberalisation were the import licence regime, subsidies on commodities, monopoly rents, non-competitive and market unfriendly interest rates, official allocation of foreign exchange and the official determination of the naira exchange rates against international currencies. The main fallout of these actions according to Lewis (1994), was the continued unprofitability of mercantilist accumulation leading to a shift to finance-based primitive accumulation.

Financial arbitrage through interest rates and foreign exchange manipulation among other strategies, provided the basis of the new primitive accumulation regime in the context of financial liberalisation (Lewis, 1994; Lewis & Stein, 1997). Weak regulatory administration, the politicisation of financial matters evident in government continued intervention in the market despite deregulation, multiple foreign exchange rate system, and the complicity of the state through its compromised autonomy, were factors that worked in favour of financial liberalisation as accumulation in Nigeria.

Lewis and Stein (1997) documented the extensive market intervention by the state under financial liberalisation in Nigeria. The political determination of bank licensing by the Presidency, as well as the involvement of retired army generals in banking business and preferential allocation of foreign exchange as a tool of political patronage, obliterates the market order in the financial administration despite reforms.

Thus there was tension implementing the reform as directed by the International Monetary Fund (IMF) and the WB. The social classes in control of state power in Nigeria preferred a compromised version of liberalisation to faithful implementation of the reform which would have meant committing class suicide. The tension was resolved in favour of the compromise of the financial liberalisation reform. The internal forces for primitive capital accumulation under the leadership of retired military generals, powerful political notables and business elite in the banking and financial business succeeded

in institutionalizing a criminal economy within the ambience of the state. Serving military officers who did not want to be disadvantaged, exploited the opportunities provided by financial liberalisation through fronts and different illegal and covert stratagem as was the case during the indigenisation programme in Nigeria.

According to Lewis and Stein (1997:7): "An examination of the 1993 boards of several hundred financial institutions revealed some 61 retired officers with 105 affiliations in 95 firms of these, at least 17 post-1986 banks listed former officers in their management roster". The involvement of retired officers in the Nigerian financial sector had serious implications for the failure of regulatory oversight. For these and other reasons previously adduced, financial liberalisation failed to end the regime of financial repression.

Booms for White-Collar Crimes Under SAP

Foreign exchange manipulation was a primary mechanism for PCA in the context of financial reform in Nigeria. Criminal behaviour characterised the exchange rate administration as a consequence of differential and overlapping exchange rate regimes operated by the government. The multiplicity of exchange rates and changing market order under which the foreign exchange transactions were conducted allowed for the ease of PCA.

Some of these mechanisms of foreign exchange allocation were: official market with government determined exchange rate, the Second-Tier Foreign Exchange Market (SFEM), the Inter-Bank Foreign Exchange Market (IFEM), the Dutch System, the Parallel Market, and the *Bureau de Change*. For these markets and systems, the exchange rates were based on floating rates determined by the forces of demand and supply as well as arbitrary determination of rates by the government through the CBN which implemented multiple rates in the different markets.

Given that the exchange rate in the open markets was always higher than the official exchange rate, the market was pervaded with opportunities for financial arbitrage. This privileged buying at lower rates from the official market and selling at a higher rates in the open markets by those in government, their friends, bureaucrats

and bankers. Under this condition, it was those well connected to the state that mostly got their foreign exchange demands met from the official market at a highly subsidised rate. Thus, political influence and patronage as against the forces of demand and supply became the basis for the allocation of foreign exchange. Furthermore, with weak and politically compromised regulatory regimes, banks officials easily escaped scrutiny and perpetuated high-level financial illegalities (Lewis & Stein, 1997) without sanction.

Also, the proliferation of banks in Nigeria at this time was associated with the illicit opportunities which defined the white-collar crime for quick accumulation from foreign exchange trading. There was in existence a number of single-office banks sustained exclusively by primitive capital from foreign exchange transactions (Lewis, 1994). In many instances, foreign exchange biddings were undertaken in favour of non-existing banks (Lewis & Stein, 1997). These 'ghost banks' were used to great financial advantage by members of the petty bourgeois class within and outside the state.

Similarly, fake passports and business registration documents were procured for Personal Travelling Allowance (PTA) and Business Travelling Allowance (BTA) at the official rate to be later sold on the black market. Genuine users of foreign exchange were short-changed, as a result of which the cost of industrial production became highly prohibitive. Many manufacturing concerns closed on the weight of scarcity and high cost of foreign exchange for the procurement of production inputs and machinery.

The boom in the financial sector led to the growth of other financial intermediaries who came into the market to cash in on the opportunity for free-for-all accumulation. Most of these companies had no legal existence, though a handful of them later got the CBN's approval (CBN, 1993a, cited in Lewis & Stein, 1997). Notable in this regard were the financial investment companies which specialised in pyramid schemes and offered mouth-watering interest rates, often paid up front to the unsuspecting public. These banks were popularly referred to as 'wonder banks' given the seeming magic-like profile of their promised returns on investment. Among these financial houses with head offices in Lagos and Port-Harcourt was Forum Bank. With a well oiled advertisement

campaign, Forum Bank arrested the attention of innocent Nigerians who parted with their hard-earned income.

No sooner had these outfits been set-up than they disappeared with money accumulated from the Nigerian public, government institutions and surprisingly, banks. As Lewis and Stein (1997:14) noted: "The finance house operators used company funds for real estate investments, foreign exchange deals and transfers, or personal consumption. When the assets of the institution were bled dry, the owners folded up and disappeared, sometimes resurfacing with a new firm".

In order to maximise opportunities for PCA offered by the financial liberalisation and perpetuate their criminal activities, banks opened affiliate finance houses as well as mortgage banks when this was sanctioned by the CBN. As projected by their sponsors, this ensured increase PCA hauls as there was less scrutiny of the affairs of these NBFIs by the regulatory authorities. The moral sensibilities of Nigerians were not spared with the introduction by banks of *corporate prostitution* through the use of young female graduates as sex objects for the procurement of bank deposits at all cost. Unfortunately, these depositors' funds were in most cases mismanaged through unsecured insider loans. One of the ways this crime was carried out was through self-lending.

Self-lending according to Cernal (2004:463), "... occurs whenever the bank provides loans to bank managers and owners or to entities associated with them". As he further argues, self-lending "substitutes free-market lending conditions with over-optimism regarding the profitability of the loan, and looser conditionality and bank scrutiny. The result is usually bad loan. The financial effect of self-lending was that commercial banks transferred good liabilities (deposits) into bad assets (loans to their owners)" (Cernal, 2004:463).

According to the NDIC (1994, cited in CBN, 2007: 23) "insider loans accounted for 65% of total loans of the four banks liquidated in Nigeria in 1995". Thus, self-lending is a mechanism for PCA. Many banks owners were involved in this unwholesome practice to the detriment of the financial health of the banks in particular and the economy in general. It was not only the bank owners that reaped a windfall from financial liberalisation.

Some smart staff of the banks took advantage of loopholes in the system by helping themselves through the manipulation of the system, frauds and forgeries. In an interview in the course of this research, a former banker who was an active participant in these liberalised accumulation schemes revealed one of the modalities through which the liberalisation of bank rates and charges were manipulated for personal gains. Given the paucity of loanable funds during this period many customers accepted this abnormal deal from which the banker profited at the expense of both the bank and the economy. This was apart from outright stealing and fraud by staffs of most banks who took advantage of the weak internal control mechanism and lack of corporate governance.

Other mechanisms and manifestations of white-collar crimes in the banks include loan frauds, counterfeited securities, clearing frauds, account manipulation frauds, account opening frauds, computer fraud, fund diversion, cheque kitting, illegal withdrawals, abuse of overdraft facilities, insider lending, foreign exchange speculation and foreign exchange round-tripping.

Frauds through the banking system were not limited to the commercial and merchant banks but included the CBN through the activities of the state under military rule. From 1st January, 1988, in the guise administrative and structural reforms of the apex bank, General Babangida removed the autonomy of the CBN and centralised its control in the presidency. This control of the CBN and its Governor by the Presidency became law with the 1991 CBN Decree (Osoba, 1996).

Under this enforced anomaly, General Babangida took direct charge of the nation's monetary and banking matters, transforming the CBN into what has been aptly described by Enuenwosu (1994, cited in Osoba, 1996:382) as the "... Central Bank of the President (CBP), a unit or department in the office of the president carrying out the president's bidding and directives on monetary and banking policy". The political control of the CBN under General Babangida was a major mechanism of primitive accumulation and crony-capitalism. This seriously undermined the financial liberalisation programme. With the nation's Central Bank under General Babangida's control, he embarked on extra-budgetary spending and

erected edifices that served PCA. The unsuccessful political transition programme provided a good reason for the expenditure of public funds by the regime.

As a consequence, General Ibrahim Babangida misused the CBN "Ways and Means Advances". According to Osoba (1996:382) 'Ways and Means Advances', "...Babangida was able to fund his multitudinous corrupt and corrupting projects by using the CBN "Ways and Means Advances" to underwrite his regular budget overruns: N8.3 billion in 1988; N14.6 billion in 1989; N18.6 billion in 1990; N24.6 billion in 1991 and N41.5 billion in 1992". General Babangida complemented the above source of primitive accumulation with the direct printing of the naira, thus fuelling inflation with excess money in circulation.

It cannot be over-emphasised that General Ibrahim Babangida was not prudent in the management of Nigeria's scarce resources. As Momoh and Adejumo (1999:55) observe, "Babangida, who talked of the military's prudent management of the nation's resources and finances, went into a great deal of extra-budgetary spending in order to gain support from specific sectors, individuals and groups. And in nearly all the cases, the principle of accountability was ignored". In this regard, Osoba (1996:383) notes that "Between IBB's [Ibrahim Badamosi Babangida] ascension to power in August 1985, and his exit in 1993, Nigeria's money supply (or money in circulation) jumped from N11.8 billion to N100.5 billion, thus injecting an intolerably high level of cumulative devaluation and inflation into the national currency and economy".

Under the financial liberalisation regime, the financial market in Nigeria was intermingled with complex ownership, financial and operational networks between banks and NBFIs. This complex relationship was consolidated with overlapping directorship. There were as at 1993 over 310 interlocking directorates among the different sectors of the Nigerian financial market (Lewis & Stein, 1997). This relational structure was grossly abused through excessive and risky lendings for the purpose of foreign exchange transactions, and in some cases as a device to postpone imminent collapse. The result was the dwindling of productive investments as interbank rates hit the roof. The structure of the market that had

emerged which privileged parallel and cross-ownership and financial relationship assisted the crisis to spread like bush fire.

While these cross-ownership arrangements furthered PCA, so also were its negative effects when the implications of mismanagement of financial liberalisation started spreading like a malignant cancer in the Nigerian economy. These conditions were not helped because of the compromised position of the regulatory authorities which precluded the application of necessary sanctions immediately signs of distress were first noticed.

It was only a matter of time before the Nigerian economy crumbled under the heavy weight of the PCA to which it was subjected by all and sundry. The speculative trading, high interbank interest rates for loans, foreign exchange manipulations, round-tripping, money laundering, financing long-term ventures with short-term funds, pyramid schemes, outright looting of shareholders funds, soft loans to bank owners, insider abuse, self-lending, excessive risk-taking, political interference with bank operations, among other malfeasances occasioned by financial liberalisation, could certainly not go on for eternity.

Between 1992 and 1994 crisis set in for the banks. The insistence on the provision for bad and doubtful debts by banks under the Prudential Guideline introduced in 1990-1991 by the CBN was the ultimate nemesis of banks for their past financial recklessness and uncontrolled primitive accumulation. With the National Bank of Nigerian owned by the South-West states in the hands of the financial undertakers, the CBN and the Nigerian Deposit Insurance Corporation (NDIC), in 1992, other banks were soon forced to close shop by the regulatory authorities.

Specifically, according to Lewis and Stein (1997), by 1993 five other state-owned banks followed in the wake of the National Bank of Nigeria, while the regulators liquidated three merchant banks and a commercial bank with the license of two other commercial banks suspended the following year. The situation was such that by 1998, some 45 banks were "distressed" and 31 banks were liquidated.

In a research conducted by CBN, *Case Study of Distressed Banks in Nigeria*, the CBN advanced reasons for the problems of the four banks studied. Though the names of the four banks were not

provided, we were able to identify three of the banks based on the corporate profiles supplied in the study. Two of the three identified banks were: Bank W, Wema Bank; Bank X, Commerce Bank, one of the banks that came into existence as a result of financial liberalisation which, incidentally as the profile pointed out, "... also had the privilege of having two of its Managing Directors or Chief Executive Officers [Drs. Femi Adekanye and Ralph Osanyemeh] serving as president of the Charter Institute of Bankers of Nigeria (CIBN), in quick succession in the 1990s".

The last bank which we identified in the research was the African International Bank, formerly Bank of Credit and Commerce International, (BCCI) referred to in the study as Bank Y. The analysis of the four banks produced similar reasons with minor variations at the root of their distress. The failure of these banks were due to insider lending, lack of corporate governance, financial illiquidity, poor loan management practices, over-bloated cost profile and professional incompetence (CBN, 2007).

Banking Consolidation and White-Collar Crimes

By the time President Olusegun Obasanjo assumed power as the second Executive President of Nigeria on 29th May, 1999, the Nigerian financial sector was immersed in crisis, with the banks, despite the recent history of failure, still immersed in liberalisation-related financial accumulation to the detriment of the capitalist development of the domestic economy. The new democratic dispensation also provided opportunities for renewed pressure by western creditor nations for the resumption of economic reforms. This reform was hitherto hijacked, perverted and abandoned under the military regimes of Generals Babangida, Abacha and Abubakar.

In 2004 a new national plan known as the National Economic Empowerment and Development Strategy (NEEDS) was established. This plan conceived as "Nigeria's plan for progress" (National Planning Commission, 2004:7), through (i) empowering people; (ii) promoting private enterprise; and (iii) changing the ways the government does its work, was a reinstatement of the cardinal pillars of SAP, that is, trade and financial liberalisation, deregulation and privatisation.

The appointment of Charles Soludo as the CBN Governor following the re-election of President Olusegun Obasanjo in 2003 provided the platform for policy reversal that was geared towards the re-invigoration of the Nigerian banks so that the banks could serve as the engine of capitalist development. The new CBN Governor, Charles Soludo, sought to achieve the goal of reinvigorating Nigerian banks as catalyst of capitalist development through the consolidation programme of the banking sector. Under the consolidation programme, the capital base of banks were increased from N2 billion to N25 billion.

After the expiration of the eighteen months given to banks to consolidate, the total number of banks in Nigeria reduced from the pre-consolidation figure of eighty-nine (89) to twenty-four (24) mega big banks. The other sixty-five (65) banks had either merged with the successful banks or liquidated as a result of their inability to raise the required capital. Most of the banks sourced the funds for their consolidation through sale of shares to the Nigerian public on the Nigerian Stock Exchange. The consolidation exercise increased the financial strength of the surviving Nigerian banks, just as the banks experienced mega-status and became players in the international financial markets. It was erroneously taken for granted that the size of these banks were indications of their financial health and the existence of requisite corporate governance structures that would ensure the management and proper utilisation of funds that the banks mobilised from the Nigerian public through public offers on the stock market.

With the strong financial base of the post-consolidation Nigerian banks, a number of foreign financial institutions and investors started showing interest in Nigerian banks. This led to an avalanche of credit facilities to these banks as well as the taking of positions in the stocks of these banks by international speculative investors seeking to profit from the post-consolidation activities of Nigerian banks. As a result, the share prices of the Nigerian banks on the Stock Exchange market mostly tripled, providing bountiful harvest to speculative investors. The high liquidity in the post-consolidation Nigerian economy similarly impacted on real estate prices, which ballooned to the skies. While it lasted, the real sector of the Nigerian

economy was starved of investible funds as stock trading became the only profitable business in Nigeria. The fictitious profit in the stock market was however a mask for the manipulation of the Nigerian Stock Market for PCA by a few.

The advent of the international capitalist crisis, generally referred to as global financial meltdown in 2007, however exposed the underbelly of the Nigerian banks and Stock Exchange market. It resulted in the recall of the international credit lines to Nigerian banks and the withdrawal of funds from the Nigerian Stock Exchange (NSE). These actions engendered serious crisis that prompted a stock market crash as well as a liquidity crunch in the Nigerian banking sector. Unfortunately, the greatest losers were the Nigerian toiling masses who were deceived into putting their monies into stocks in the Nigerian capital market for the opportunity for quick profits not knowing that the rally was over and the bubble was about to burst.

Another fallout of the post-consolidation exercise was the advent of 'showmanship' and aggressive media hype and unhealthy competition among Nigerian banks. Nearly all the banks came back to the market after the consolidation exercise to raise further capital in a race to be among the biggest and leading banks in Nigeria as well as improving their international ratings. Crude and unprofessional methods were deployed to achieve these objectives.

In order to be attractive to the investing public, the books of most of the banks were 'packaged' and manipulated to look good, just as the prospectus prepared for public offer did not reflect the true financial position of the banks. In many instances, the share allotments were not done over one year after the close of offers with the shares of the banks remaining on technical suspension on the stock market. The banks in this way were able to keep and trade with the money of the investing public without paying interest. The Nigerian Stock Exchange (NSE), the Security and Exchange Commission (SEC) and the CBN were guilty of complicity in this regard as no erring banks were ever sanctioned for this unprofessional conduct.

An intriguing dimension of the constant return of these banks to the Stock Market to raise fresh capital was the creation of artificial

prices for the shares of the banks. This was achieved through the use of the post-consolidation excessive liquidity to provide loans for people to buy the shares of the banks. In the same vein, the banks themselves bought and warehoused their own stocks creating artificial demands and increased price.

For instance, the CBN revealed that the sacked Directors of Intercontinental Banks Plc received N8 billion each in order to acquire 50 percent equity in the bank, just as Afribank lost N120 billion from trading in its own stocks (Olesin, Kolapo and Alechenu, 2009). This was a strategy for PCA from the meagre resources of the unsuspecting Nigerian public who fell victim of the mob mentality of following the crowd. The value of these banking stocks has witnessed over 80 percent devaluation following the crash in the Nigerian Stock Market starting from March 2007.

A further dimension to the unhealthy rivalry and PCA following banking consolidation in Nigeria was branch expansion and building of grandiose structures by most banks. Interviews with informed operators in the sector revealed that the building of these grandiose structures in the guise of branch expansion is actually a strategy for PCA (Field Interview, 2009, August 14). We found that these branches were built very big in order to justify their inflated cost.

Physical examinations of most of the branches of the banks revealed that the structures were largely a waste of depositors' funds as only a small percentage of available space were in use. From our investigation, the book value of these structures were inflated by over two hundred percent. The difference between actual cost of construction and book value went to vested interests in those banks in the form of PCA. It was for this reason, amongst others, that the World Bank recently noted that "as much as \$10 billion or half of all Nigerian banks holdings were tied up to questionable assets" (Kolapo, 2009).

With respect to toxic assets, after the recent examination of Oceanic Bank Plc, the CBN alleged that the Managing Director and Chief Executive Officer of the Bank, Mrs Cecilia Ibru, owned two private jets, and had concluded arrangement to add two new private jets before she was removed by the CBN. She was alleged to have

paid her daughter's firm a sum of N825 million for a ten year property lease (Olesin, Kolapo and Alechenu, 2009). These toxic assets constitute a major mechanism for PCA by operators of Nigerian banks.

Contrary to the expectation that the increased capital base of Nigerian banks would be used for the finance of capitalist development through investment in industry and other productive sectors of the Nigerian economy, post-consolidation banks in Nigeria were more oriented towards speculative investments and involvement in the explosive oil business and PCA. As a result, credit lines were either extended to oil and gas, share purchases or insider-related unsecured loans. This is clearly shown by the published list of heavily indebted creditors with non-performing loans in five distressed bank whose Managing Directors and Executive Directors were sanctioned by the CBN.

The credit profiles preferred by the post-consolidation banks are all high-risk ventures, with serious problems on the possibilities of repayment. Many members of the Nigerian accumulating class, within and outside the banking system have become specialists in obtaining loans from the banks without any intension of repayment. While serious entrepreneurs were unable to obtain funds for their businesses from the banks, speculators and traders had funds literally thrust on them by the banks. And given the low value-added and risky nature of the activities for to which these funds were put, repayment of the loans were usually fraught with problems.

The banks, however, kept doctoring their books in spite of the existence of these toxic assets and declaring mouth-watering profits without making provisions for the bad loans in their books. However, the manipulation by banks was exposed for what it was by the action of the CBN Governor, Sanusi Lamido Sanusi, which led to the sacking of the Managing Directors and Executive Directors of five seriously stressed banks, viz. Intercontinental Bank Plc, Oceanic Bank Plc, Afribank Plc, Union Bank Plc, and FinBank Plc (Olesin, Kolapo and Alechenu, 2009).

The 14th August, 2009 CBN regulatory action which led to the sack of the Chief Executives of five banks was on account of money laundering, granting unsecured loans, self-lending, violation of

regulatory guidelines of loans, falsification of accounts, and outright stealing/looting of depositors funds. All together, these five banks had N2.8 trillion loan exposure, out of which N1.1 trillion were classified by the CBN as non-performing loans. For instance, contrary to Banking Regulations, the sacked Directors of Intercontinental Bank Plc gave themselves \$10,000 each as holiday allowance (Olesin, Kolapo and Alechenu, 2009).

The introduction of the Expanded Discount Window (EDW) by the CBN under Charles Soludo allowed banks to cover-up their liquidity crises by borrowing from the CBN. Most of these distressed banks, in particular, Intercontinental Bank Plc, took advantage of this facility in what made observers to conclude that the CBN under Professor Charles Soludo was culpable for the rot in the Nigerian banking sector. These five banks were responsible for 89.81 percent of the bank's loan through the EDW.

The EDW which was a device to cushion the illiquidity crisis of the banks provided added opportunities for the social classes that used the financial and banking sector for accumulation to profit from the use of public funds for private interests. While the loan from the EDW was procured from the CBN at 2 percent, the funds were given out at 20 percent to the Nigerian public. Similarly, the EDW that was expected to be for a 14-day period was extended to one year. Funds obtained from the EDW were also part of the amount that was given out as self-lending and as loans to associates and non-existing companies, which eventually resulted in non-performing loans (Ogbu, 2009).

Our independent investigations and interviews with informed players in the banking industry revealed the manipulations perpetuated by most banks as regards loans. First, interests on outstanding and non-performing loans were said to be periodically written-off when the loans fell due after under-the-table agreements between banks officials and the debtors, making the loans appear like new loans in the books of the banks (Field Interview, 2008, August 14).

Abayomi (2009), a former banker, writing on the crisis submits: "This is not story telling: I was once in the banking sector and I know of a particular case involving a bank where its recently sacked

chief executive had cause to be written off, a non-performing facility of about N400 million, outstanding against a sitting governor". This was possible because most of the banks Managing Directors were in their own rights financial leviathans. Furthermore, we discovered that loans and interests waivers were granted and written-off without following due process and with only the Managing Directors and their kitchen cabinets' approval. The signatures of three non-executive directors required in most cases were dispensed with, or obtained much after the transactions had been consummated.

This lack of internal checks and balances and the arbitrariness of the Chief Executives of banks made it possible for the pervasiveness of self-lending which was manifested in the granting of loans to companies connected with people in control of these banks. According to the CBN, the Cecilia Ibru-led Oceanic Bank Plc granted N160.7 billion loans to associates and cronies, just as Intercontinental Bank Plc under Erastus Adegbola gave loans to the tune of N32 billion to firms belonging to seven directors of the bank (Olesin, Kolapo and Alechenu, 2009). The effects of this, as Cernal (2004:463) notes pertaining to the incidence of self-lending in Romania, is "... that commercial banks transformed good liabilities [deposits] into bad assets [loans to their owners]".

Another strategy employed by the banks to deceive the unsuspecting public and promote accumulation through the Stock Market was the manipulation of the requirements of the Prudential Guideline on provisions for bad loans. As the banks were getting to the end of the financial year, provisions that were previously made for bad debt were written back into the books in order to produce impressive results which served as baits for the investing public to invest more money in the banks in response to the dubious profits declared by the banks. This strategy of cosmetic profit was often parallel with the moving of funds between banks in order to buoy the balance sheets as the accounting year approaches. The introduction of December common year-end for all banks in Nigeria was meant to reduce this incidence.

A Critique of the Banking and Financial Liberalisation

Though the banking and financial liberalisation failed to achieve the desired objectives, its effects on the Nigerian society remain very profound. The devaluation of the Nigerian currency for instance had serious implications for the cost of domestic production. This was because the Nigerian economy was heavily dependent on importation of raw material and technology. This had direct consequence on increased cost of imports relative to exports. Furthermore, currency devaluation led to imported inflation with the importation of manufacturing inputs from abroad. This added to domestic production costs, resulting in high cost of finished goods and services.

Second, the deregulation of interest rates by the CBN from 1st August, 1987 increased cost of funds, worsened the cost of production and thus made domestic goods and service unaffordable (Anyanwu, Oyefusi, Oaikhenan & Dimowo, 1997). To complicate the situation, in line with the neo-liberal policy thrust, the Nigerian government implemented an 80 per cent subsidy withdrawal from petroleum in 1986, leading to a 97.5 percent and 168.2 percent increase in the prices of both Premium Motor Spirit (PMS) and Diesel (Anyanwu, et al, 1997). With crude oil sold to local refineries at \$0.58 pb, more than the prevailing international price of crude, Nigerians were made to pay more than the price in the international market (Obi, 1987 cited in Anyanwu et al, 1997).

Given the unreliability of public power supply and the reliance on private power generators by most businesses, the increased cost of petroleum products also had serious cost implications for production. The need to curtail the spiralling cost of production engendered the retrenchment of many workers (Olukoshi, 1991). Babawale (2006) notes that "... industrial employment declined from 335,000 in 1985 to a miserable 27,000 in the 1990s".

In consequence of these, many businesses were shut down due to high cost and poor sales. With local manufacturers out of business, foreign products took over the Nigerian market. Nigeria consequently became a dumping ground for substandard products from abroad. SAP and the banking consolidation therefore worked against the industrial gains that Nigeria had achieved in the decades

after independence (Omoweh, 1991). In this way, neo-liberal reforms aggravated Nigeria's crisis of capitalist development.

Furthermore, Mkandawire and Olukoshi (1995), argue that SAP was positively correlated with authoritarianism. In order to force down on Nigeria the SAP bitter therapy, critical voices in the civil society, like the Nigerian Labour Congress (NLC), the Nigerian Medical Association (NMA), the Nigerian Union of Journalists (NUJ), the National Association of Nigerian Students (NANS), and Human Rights activists, were given varying authoritarian treatments by the Nigerian state. The institutional modalities with their orientation to rent-seeking and unproductive accumulation, Lewis (1994) rightly argues, made productivity unnecessary and capitalist development a delusion of grandeur. The negative co-efficiency of "patrimonialisation" of the state apparatus and economic development (Hope, 1997) bears testimony to the validity of this assertion.

The profitability of currency trading due to the depreciation of the naira against the American dollar and British pound sterling promoted a pervasive culture of unproductive accumulation by individuals, corporate organisations and banks. This explained why the reform era was that of the burgeoning of finance houses and portfolio managers in Nigeria, signalling movement from any semblance of productive capitalism to that of unproductive but super-profit PCA.

Reform in Nigeria failed to create a domestic group of entrepreneurs oriented towards production and capital accumulation. On the contrary, financial liberalisation stifled private investment and productive entrepreneurial activities in favour of unproductive financial accumulation, especially as manifested in white collar crimes. PCA through financial accumulation became useful to members of the domestic ruling class in the takeover of State-Owned Enterprises (SOEs) that were privatised at cheap prices.

Conclusion

The paper situated the imperative of bank and financial liberalisation in Nigeria in the overarching imperative to release capital for productive engagement from the unproductive sector of the economy

in the context of the ideology of neo-liberalism. This flowed from the errorness belief that the problem of underdevelopment in Nigeria relates to the problematic of accumulation by the state. Hence, it was argued that the state is a bad economic manager and a bad accumulator of capital, and in its place the private sector was projected as a better capital accumulator.

The paper demonstrated how the promise of a new cycle of capital accumulation through the market under the reform regime became perverted and a financial criminal enterprise developed. The paper showed the limit of the private sector as an agent of capital accumulation in a dependent and decadent capitalist economy. In this regard, we examined the bank and financial liberalisation in Nigeria in the context of its usage as a mechanism for primitive capital accumulation and white-collar crimes. The paper pointed out various schemes through which this was carried out by military officers, politicians, bureaucrats, banks owners and workers.

The paper showed that weak regulatory institutions were a major contributory factor to the proliferation of white-collar crimes under the banking and financial liberalisation policy in Nigeria. The paper also argued that the country suffered serious economic and social consequences as a result of the perversion of the banking and financial liberalisation programme for primitive capital accumulation, turning it into a mechanism for white-collar crime.

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