

THE PROSPECTS AND CHALLENGES OF INFORMATION TECHNOLOGY AND GLOBALIZATION FOR NIGERIA'S FINANCIAL INDUSTRY

Eggon Henry Ahmed

Abstract

Information technology and globalization are topical issues posing challenges to the policy makers anywhere in the world. The main aim of the paper is to discuss the trend in information technology and globalization as well as to indicate the prospects and challenges posed by these developments on the financial system of Nigeria. The paper observed that the recent developments in information technology have brought with it greater efficiency in the utilization of resources through improved competition and innovation. In addition to that, the ability of the economy to take full advantage offered by information technology induced globalization is severely restricted by the stages of development in the economy. The paper further observed that in order to avert the dangers posed by information technology and globalization, there is the need for the government to pursue economic policies that will put the economy on the right path of sustainable growth and development. In this way, the current efforts at deregulation, privatization etc. should be cautiously pursued to enable the economy gain from the opportunities offered by information technology and globalization.

Introduction

One of the basic issues posing a great challenge to policy makers in both the private and public sectors are the advances and increasing integration of the global economy. The financial industry has been mostly affected by these developments. For example, advances in information technology have changed (the scope, pace, range, as well as the procedures of financial services) worldwide.

The emergence of a globalized financial system made possible by modern information technology and the growing ascendancy of free market economy have prompted massive deregulation of most economies and the financial services industry.

The effect of the development of the size and structure of the financial markets is bound to make the job of those charged with safeguarding the stability of the financial system even more demanding than ever before.

This paper is divided into four sections. Section one dealt with introduction. In section two, we review some relevant conceptual issues and developments in information technology and globalization, while in section three, we highlight the challenges and prospects posed by information technology and globalization in the financial industry. Section four, summarizes and concludes the paper.

Conceptual Issues and Developments in Information Technology and Globalization

Meaning and Concepts of Information Technology and Globalization

Information technology, in a simple term, refers to the application of technology (means of doing things), information (meaningfully processed data). But in technical terms, information technology refers to the acquisition, processing, storage and dissemination of vocal, pictorial, textual and numerical information by a micro base combination of computing and telecommunication. As such, information technology

consists of a wide range of technologies like telephone, computer, word processing applications, web browsers' servers, etc.

The term globalization is the process of denationalization of political, economic and social activities that has involved the erosion of national boundaries and stripping of national sovereignties and made the whole world to be one global village, with nations seeing themselves as neighbours in a global village.

Consequently, a common standard, world standard, is evolved and conformed to by products and infrastructure (social and economic) like the educational system and its products.

telecommunication, power etc. at the end of the day, the products and infrastructure in one-country are of world class, such that they match the best any where in the world.

Technological barriers to 'commerce have fallen as transport and communication **cost have plummeted**. Man-made barriers like tariffs base been drastically reduced. These changes, m adder n to the rapid industrialization of the developing world particularly the emerging Asian economics .aid movement of the communist countries towards market economies, have influenced the international economic system and made it more global in nature.

The financial markets reforms combined with new information technologies currently enable businessmen in various nations to exchange huge amount of stocks, bonds and currencies on dads basis also; the forces of market liberalization and the globalization of transaction made possible by advances in information technology.

Technology has transformed the structures of the financial industry, virtually everywhere and given rise to a more efficient and competitive financial industry, these developments have impio-.cd the menu of investment outlets available to the suppliers of funds and offered end users cheaper access to finance.

Financial innovation made possible by these developments have provided market participants with new instrument to better manage their risk exposure. The reduction in transition costs has raised the liquidity of the security markets while the removal of foreign exchange control has permuted capital to How more freely towards higher returns; promoting a greater div eradication of portfolios even small and medium sized companies are aware that the competition for market share is global and that it is a matter of necessity for all to participate in the global economy.

Review of Development of Information Technology

There has been an evolutionary path in the way organizations connect to corp. mic information overtime. Initially; under the mainframe model, terminals provided a uniform desktop for accessing mission and carrying out critical applications on a central computer. Applications development was a How process and the cost of computing power was high. Systems were basically characterized by a single protocol; tight security and a single central point of control with highly predictable traffic flows. Under the client/server model, computing power was less expensive and application development cycles are shorter. The intranet models topple traditional hierarchies of information delivery. It comprises a universal client interface, the browser invoking on a multimedia content from a broad range of servers. Under this model, application development lime is further compressed and deployment is even more rapid.

The intranet could be regarded as an Internet protocol based network that empower a web- browser as the standard user interface for all workstations connected to the network. It oilers a way .a capitalizing on the benefits of Internet technologies, Global information sharing through the internet, which provides closer links with customers as well as suppliers and aids electronic commerce help is support the rapid move to intranets. To be effective, intranet-based applications should be sc.arc. accessible, manageable, dynamic and adaptable.

Apart from the user of intranet, advances in technology have virtual]]'

transformed the global economy as the application of the development has lowered the geographical and functional barriers between and within countries thereby making economic transactions in general and financial transaction in particular around the globe a lot easier and cheaper.

In Nigeria in the late 1970s up to early 1980s, the processing of information in banks and other areas of the economy like manufacturing gas and oil etc. was based on centralized, architecture with mainframe computer running a multi-user operating system and various users connected to it through terminals. This type of processing has changed to a more decentralized approach with local area network within bank branches, before the deregulation of the *economy* and the financial services industry in the mid 1980s, most banks had an appreciably high number of branches, of Which were m the rural areas and were completely manual in operation.

With the deregulation of the banking system in Nigeria, the sector witnessed the emergence of many banks with few branches, in the mid 1980s. These new banks were sophisticated in operation and attempted to take advantage of recent advances in information technology from inception as a result, there was an increased market pressure to innovate and adopt new technology In the traditional banks as customers began to demand more sophisticated products and increased convenience m service delivery.

I he main locus for this new technological competition were the implementation of a global banking concept in the country. The application of modern technology has affected all aspects of the banking industry. from the very standard retail operation such as cash withdrawal and cheque processing to the creation and delivery of sophisticated corporate products such as interest rate or foreign exchange swaps. In addition, the society for a worldwide inter bank financial telecommunication (SAV.I.F.T) made possible by advance in information technology and to which some of our banks have acquired membership, has facilitated inter-bank transactions across the globe.

There are several possible benefits which banks can realize from the adoption of the improved technology. These are cost reducing technologies including systems which automate cheques processing, providing a basis for differentiation particularly where price competition is controlled b\ the guided nature of our deregulation.

In recognition of the above stated benefits and many more that most banks in Nigeria have taken advantage of advances in technology and the globalized banking environment to improve on their services and expand their operating base, for example, the gulf supranet system.

Generally, therefore, the rapid integration of the world economy made possible by advances m information technology has brought a lot of benefits to nations that are able to harness the resulting opportunities for the development of their material and human resources endowments.

Prospects of Information Technology and Globalization in Finance Industry

There are bright prospects for information technology and globalization to ire attained in Nigeria's finance industry. This is given credence by the following realities.

- (i) The realization of firms in the industry, especially in banking of the need to be effective and efficient in products and services development and delivering has been more profitable and greatly competitive. To a large extent, these needs can be realized through the information technology in all ramifications of the operation of the firms in the finance industry. Management is increasingly being sensitized on the urgency related to employing information technology appropriately, Eventually, this call will be heeded to.
- (ii) The yearning by the regulator) authorities to improve on monitoring, supervising and regulating the activities of the firms in the finance industry.

To effectively do these requires handing massive data generated from the industry, for timed) ' accurate and industry wide policy formulations. This can be effectively catered for by the effective .application of information teclmology)' to all aspects of the operation of firms in the industry and the regulator)' authorities, which all have to conform to global standards.

- (iii) There is the desire for the Nigeria an economy to meet up with challenges of globalization. As pointed out above, the journey towards globalization by any nation starts with that nation having to sufficiently apply information technology to the operation of all industries in the economy. For Nigeria one of such industries is the finance industry. All hands therefore have to be on deck in the finance industry to give information technology its pride of place, as a means of enhancing the country's readiness to join the globalization trend.

Challenges of Information Technology and Globalization

In spite of the numerous benefits derivable from the current wave of innovations, liberalization and globalization which transformed the contours of the financial services industry worldwide, the development poses many challenges to the Nigerian economy, in the area of ensuring the stability of the financial system in particular. For instance, with globalization, there is bound to be an increased competition as well as risk exposures in banks which no doubt, poses series of challenges to all stake holders in the financial sector and the economy as a whole, some of these challenges are discussed below .

- (i) There is the challenge of having to provide the right infrastructure most suitable to the efficient functioning of the information technology that propels globalization in the finance industry. At present, there exists irregular power supply, unreliable telecommunication system and low response to information technology education. The right atmosphere for the thriving of information and its finance industry so as to effectively facilitate globalization does not exist.
- (ii) There is the challenge of financing the acquisition of components of the technology to tm .nice industry and the country, and the revamping of the available infrastructure by the country. I o acquire these requires huge capital outlay. At present, the nation's power supply and telecommunications services requires a staggering amount of money for them to be made functionally efficient. Unfortunately, the financial resources are very hard to come In Besides, for organizations in the finance industry to avail themselves with telex ant components of information technology will be almost impossible, considering the capital outlay required.

While it is not possible for the total amount of money required to acquire the right technology to be computed, it is sufficient to note that the amount is mind-boggling. If the amount required to address an aspect of the information technology, (even, if in other hands] n. anything to go by. it is still frightening. lack of finance is enough to jeopardize the country's participation in this global trend.

- (iii) The challenges of attracting private investments both local and foreign, for information technology, considering the instable conditions in the country are enormous, closely related to this is a fourth challenge of whether the country has the political will to accept the used one of the globally acclaimed means of capital mobilization, w Inch is privatizing the ownership ' government owned companies. Several intricate issues are involved which include impossibility of government accepting to divest and whether foreign or private participation u these organizations like Nigeria Electric Power Authority (NEPA) and Nigeria Telecommunication Plc will be accepted.
- (iv) There is the challenge of having to remove barriers to competition that will

expose indigenous producers and providers of services to foreign participation. This is closely related to whether or not the country has the political will to open up and expose its citizens to competition with foreigners. In addition, there is the sixth, challenge that borders on the general culture of the country which has very little regard for standard congruent with global expectations.

There is also this fetching those foreign aspirations and standards should not hold sway in Nigeria. Insistence on maintaining Nigerian standards in this era of globalization will definitely not arguer well in Nigeria's bid to move in concord with the rest of the world.

By far the most worrisome challenge is the question of whether the country, and in particular, the finance industry, is prepared to cope with the large number of people that will be thrown into tin unemployment market. It has often be argued that the integration of information technology into the operation of organizations will create more jobs for people rather than throw them out of their jobs. The reality of the situation is that by the time information technology is fully integrated in organizations, especially financial institutions, most people will be rendered redundant Globalization would have been attained, Nigeria would have been part of the global village, but many of its citizens will be unemployed. Will be country bear the consequences of such action? It will be pertinent to envisage serious industrial crisis emanating, from her in ability to pay off those to be disengaged and maintain the pensioners. This may constitute the Achilles heel in the drive to globalize the finance industry.

Recommendations

The paper suggested the following policy measures in order to squarely address the challenges posed by the information technology and globalization in finance industry.

- (i) Organizations in the industry should organize themselves so as to phase the mobilization of funds and the acquisition of the components of information technology and finance then- contributions to the provision of functional infrastructural facilities most conducive to the operation of the requisite information technology.
- (ii) Organizations should encourage the cultivation of corporate cultures that will cherish standards and be competition friendly. In this regard, total quality management should be entrenched in the management practices of the organization.
- (iii) The finance industry should deliberately maintain conditions of service that will ameliorate, and if possible eliminate the pains of workers being relieved of their jobs through the creation of enabling environment that will encourage workers to voluntarily resign/retire realizing that this will be more beneficial to them. This will ease the trimming of the workforce that will be necessitated as a result of lull integration of information technology by the organization, therein guaranteeing industrial harmony and increased productivity, profitable growth and competitiveness.
- (iv) There is the need for the government to pursue economic policies that will put the economy on the path of sustainable growth and development. In this regard, the current effort at deregulation, privatization, and liberalization, under a democratic setting should be cautiously pursued to enable the economy gained maximally from opportunities offered lay technology induced globalization.

Conclusion

In this paper, an attempt has been made to review the trend in global integration made possible In developments in information technology. The paper

observed that recent development' m information technology have brought with it greater efficiency in the utilization of productive resources through improved competition and innovation. 'The effects of the development on the financial system have come in form of cost reduction, enhanced speed in canning out financial activities, introduction of main computer aided products, among others.

In spite of the benefits that can be derived from globalization induced by information technology the paper noted that the development poses main challenges to the finance industry and the economy as a whole. In particular the current wave of innovation, liberalization and globalization poses a threat to the stability of a nation's financial system with its attendant negative consequence'.

References

- Abone, E. (2002). Challenges and Opportunities of Globalization. Lagos: Vanguard 13. June.
- Cronin, M.J. (1995). *Doing More Easiness on The Internet*. (2^{1st} Edition). New York: Van Nostrud and Reinhold.
- Ebhodaghe. J.U. (1997). *Safe and Sound Banking m Algeria Selected Essays*. Abuja: Nigerian Deposit Insurance Corporation.
- Gilroy. B.M. (1991). *Networking in Multinational Enterprises: The Importance of Strategic Alliance*. Columbia: University of South Carolina Press.
- Giovanni. E.R. (2001). *Theory of Globalization: Fundamental Basis*. University of Pittsburgh Graduate. School of Public and International Affairs.
- Hagstrom. P. (1991). *The Wired MAX': The Ride of Information System for Structural Change in Complex Organizations*. Stockholm School of economics. Institute of International Business
- Heldman. R.K. (1992). *Globalization of Telecommunications Layered Networks. Layered Services* New York: McGraw Hill, Inc.
- Lee. H. (1997). *Globalization of the Economy*, Washington Report Vol. Xxxii, No. 44.
- Newman. M. (1997). *Globalization: Its Threats and Opportunities*, Address to ('bartered Institute of Company Secretaries in Australia, Sydney.
- Soyibo. A. (2000). *The Challenges of Globalization and Information Economy for Nigeria*. Paper Presented at DPG Staff Seminar Series, (October, Pp. 22.
- Spero, J.E. (1996). *The Challenges of Globalization*, Being Remarks Given at the World Economic Development Congress, Washington D.C.
- Usman, S. (1999). Keynote Address Delivered Authority (FSA) Course on *Managing Change In a Changing World*, Organized by the CBN/NDIC for the Staffers id and NDIC in Abuja.