

## PRIVATIZATION OF PUBLIC ENTERPRISE: A TOOL FOR NIGERIAN ECONOMIC DEVELOPMENT

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### Abstract

The need for privatization of public enterprises in Nigeria, as it had been in most countries that adopted the public sector reform technique, was geared towards making the enterprises more efficient, effective and productive, such organizations could be longer be maintained by the government because they had become a financial burden to the public budget. Thus, privatization became the panacea for alleviating the government problems of owning and managing public enterprises, and at the same time, ensuring that such enterprises, when transferred to private ownership, would significantly improve economic development of the nation. This study examined privatization of public enterprises as a tool for economic development. The foremost utility company in charge of electricity, distribution in Lagos State Eko Electricity Distribution Company was used as a case study. The study used both Primary and Secondary source of data. The population study of 220, using WALPO sampling size of 30% which is 66. The questionnaire was based on the sample size. 60 valid while 6 invalid after the retrieved of the questionnaire. Two hypotheses formulated were tested using SPSS (ANOVA). The findings, of the study revealed that there is significant improvement in the productivity of the privatized enterprises. However, it was discovered that privatization is necessary to make public enterprises financially disciplined. The study recommend among others that the policy makers review the ongoing privatization programmed that privatized enterprise can perform better than what we are experiencing.

**Keywords:** Electricity, Development, Services Delivery, Reform, Nigeria

### Introduction

Public enterprise occupies a central and substantial part of the Public sector economy in any given country, this is particularly so in developing country like Nigeria (Akhakpe, 2008). The structure of the Nigerian economy has witnessed a lot of changes since flag independence. From the colonial era to the 1970s, agriculture was the back bone of the economy. In the 1970s,

Nigeria earned huge crude oil revenue at a level that was never expected. This prompted the Nigerian government to be largely and actively involved in widely diversified investments in area of the economy that are traditionally exclusive to the private sector business such as agriculture, mining, manufacturing, banking, insurance and commerce (Abudllahi, Abdullahi and Yelwa, 2012).

The Nigeria government embarked on massive investment in the power sector by establishing public enterprises all over the country. By the 1990s, Nigeria was said to have had over 1500 public enterprises scattered all over the states, in line with government's plans to rapidly boost development on the national level. Unfortunately, over the years, the performance of the public sectors was found to be dismal. Although they were established to bring development to the economy, the public sectors soon became an antithesis to development itself.

It was as a result of the low performance, inefficiency and lack of control of the public enterprise that the government decided to embark on the privatization of the non-performing public enterprises with a view to improving on their organizational productivity. Countries like Nigeria, Ghana, South African embarked on privatization of state – owned enterprises had become the norm as countries in both the developed and the developing world's moved towards neoliberalism (Etieyigbo, 2011).

Privatization which means the transfer of ownership and control of public enterprises to private individuals viewed as a remedy to the perennial problems of public enterprises. According to Ojo & Odukoya (2007), privatization offers countries like Nigeria an opportunity for “streamlining the public sector and for promoting economic development” by reducing government expenditure on economic activities and transferring such huge public assets and services to the private sector for better management and control.

Olayodele (2012) looks at the financial investment of government in public enterprise, in Nigeria and compares it with the returns on investment. He notes that between 1999-2001, the years of the oil boom and the rapid growth of public enterprise, the government had invested over billion of Naira but has yielded on low return investment.

Bakre (2011) captures the sorry state of public enterprises in Nigeria when he wrote that: “public enterprises present a depressing picture of inefficiency, low productivity, losses, budgetary burdens, poor products and services”.

According to Akhakpe(2008) the government willing to accept that the size of government Public sector firms is too large to promote efficiency & effectiveness in their operation, especially as it concerns Public enterprises the drive to cut down in its economic responsibility becomes inevitable. Privatization, management contract, down-sizing, lease etc. are some of the measures evolved to address the problems of Public enterprises.

### **Literature Review & Theoretical Framework**

Azubuike (2009) views public enterprise as a corporate body created by the legislature with defined powers and functions, and independently having a clear-cut jurisdiction over a specified area or over a particular type of commercial activities.”

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Ademolekun (2002) defines public enterprise as “an organization that is set up as a corporate body and as part of the governmental apparatus for entrepreneurial or entrepreneur – like objectives.” Emeh (2012) presents the 1971 United Nations definition of public enterprise as “an

incorporated or large incorporated enterprise in which public authorities hold a majority of the shares and/or can exercise control over management decision”.

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Basu (2008) hints that public enterprise is “a commercial, financial, industrial, agricultural or promotional undertaking owned by public authority, either wholly or through majority shareholding which is engaged in the sale of goods and services and whose affairs are capable of being recorded in the balance sheets and profit and loss account. Such undertakings may have diverse legal and corporate forms, statutory agencies, established by Acts of Parliament or Joint Stock Companies registered under the company law.”

Efange, in Adeyemo and Salami (2008) defines public enterprises as “institutions or organizations which are owned by the state or in which the state holds majority interest, whose activities are of business in nature and which provide services or produce goods and have their own distinct management”.

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Privatization is a means of responding directly to productive inefficiency in Public sector that is as a means of improving the efficiency of enterprise by making management responsible to shareholders and imposing the financial discipline of the capital market. Ojo and Fajemisin (2010) sees privatization as “a strategy for reducing the size of government expenditure and transferring assets and service functions from public to private ownership and control”. Privatization as “the process by which control and ownership of an enterprise, business or agency is transferred from the public sector (government) to the private sector”(Etieyibo 2011). Arowolo and Ologunowa (2012) define privatization as the “transfer of assets or service delivery from the government to the private sector”.

Odukoya (2007) provides a Marxist definition of privatization as “the transfer of the economic power and resources base of the people to private capitalist interest”. He further adds that “this scenario necessarily whittles down the economic and political power of the citizenry in favour of capitalist interest.” (This viewpoint would be explained later in the subtopic: Arguments for and Against privatization). Agba et al (2010) refer to privatization as “the transfer of state owned enterprises including ownership and control/management to the private sector”. According to Pressman (2004), economic development as a process whereby the real income of a country increase over a long period of time.

The word Economic Development as an increase in the quantity and quality of goods produced in a country. It also means growth plus change (Hill, 1999). It involves the transformation of the economy from primary to secondary sector. Musaechio and Lazzarini (2012) define economic development as a process whereby the real per-capital income of a country increases over a period of time. Economic development also mean the effort made in satisfying the expectation and aspiration of the people, and such expectation includes the basic necessities of life such as food, shelter and clothing.

### **Theoretical Framework**

The modernization movement of the 1950s and 1960s is an economic theory that is rooted in capitalism. The concept of modernization incorporates the full views of the transition and drastic transformation that a traditional society has to undergo in order to become modern (Wolfgang,

2004). Modernization is about the Third World, in general, and Africa, in particular, following the developmental footsteps of the West. According to modernity, policies intended to raise the standard of living of the poor often consist of disseminating knowledge and information about more efficient techniques of production. For instance, the agricultural modernization process involves encouraging farmers to try new crops, new production methods and new marketing skills (Ellis and Biggs, 2001).

Modernization theory is used to summarize the transition of the traditional societies to modern societies by adopting modern values, beliefs and principles. The theory examines the ecological factor of a society and it has an evolutionary perspective whereby it assumes that, with external assistance, traditional societies could develop in the same ways that modern societies develop. (Abba and Anazodo, 2006). Those societies can therefore be regarded as modern when they display specific characteristics. The extent to which these characteristics are exhibited gives an indication of the degree of modernity that has been reached. Thus, the privatization phenomenon could be explained by the modernization theory in the sense that the exercise was first experimented with developed nations where it recorded huge success before it was suggested as the solution to the problems plaguing state-owned enterprises in the Third World. In the case of Nigeria, the privatization was handed to the country by the Bretton Woods institutions, IMF and WB. It was seen as the modern practice of countries who wanted to be on the steady track of development.

### **Research Methods**

In this research, a descriptions survey approach was adopted. This is to enable the researcher to have a systematic and description approach of the area under study. The study covers the staff of EKO electricity Distribution Company in Lagos State, from which define targeted population of 220. The simple random sampling method was adopted in the selection using WALPO Computation of 30% of 220 which is 66. The instrument used in collecting and gathering data for testing the research hypotheses was the questionnaire base on the sample size of 66, were 60 valid the remaining 6 invalid. The questionnaire contains twenty questions which were related to the hypothesis. The validity of the questionnaire was verified by the experts both academic and professional whereby some items were added and deleted. The suggestions and recommendations were all incorporated in the making of the final draft test-retest methods was used to ensure the reliability of this research instrument before the total copies of 60 questionnaire is designed to be filled by the officers of EKO electricity Distribution Company. However the two hypotheses formulated were tested using SPSS (ANOVA).

### **Data Analysis**

Two hypothetical questions and research which form a fractional part of the research were formulated namely:

Hypothesis 1:

Ho: privatization of public enterprise is not an effective tool for economic development

Hi: privatization of public enterprise is an effective tool for economic development

### **Research Hypothesis**

To what extent is privatization of public enterprise as an effective tool for economic development?

The observe frequency:

Option	Top Mgt staff	Middle Mgt staff	Lower Mgt staff	Total
Very high extent	10	7	3	20
High extent	12	8	5	25
Lower extent	2	3	2	7
Very low extent	2	2	1	5
Not at all	1	1	1	3
Total	27	21	12	60
$\therefore F_2, 14:0.05=$	0.251			

	Sum of Squares	Df	Mean squares	F	Sig.
Between	6,400	2	3,200	260	.775
Groups	147,600	12	12,300		
Within	154,000	14			
Groups					

### Result of Analysis Of SPSS

The computer analysis of SPSS on the option shows f-value to be 0.260 while the critical value is 0.251. Since the f-value is greater than critical value (i.e  $F_v > C_v$ ). The null hypothesis ( $H_0$ ) will be rejected and the alternative hypothesis ( $H_1$ ) accepted. This means that privatization of public Decision rule enterprise is an effective tool for economic development.

### Hypothesis 2

$H_0$ : Privatization of public enterprise is not a tool for evaluating employee performance in EKO Distribution Company in Lagos State

$H_1$ : Privatization of public enterprise is a tool for evaluating employee performance in EKO Distribution Company in Lagos State

### Research Question

To what extent is privatization of public enterprise is a tool for evaluating employee performance in EKO Distribution Company in Lagos State?

The observe frequency

Option	Top Mgt	Middle Mgt	Lower Mgt	Total
Very high extent	10	7	3	25
High extent	8	6	6	20
Lower extent	2	2	1	5
Very low extent	4	4	2	10
Not at all	-	-	-	-
Total	24	20	16	60
$\therefore F_2, 14:0.05=$	0.251			

	Sum of Squares	Df	Mean squares	F	Sig.
Between	22,800	2	11,400	870	.775
Groups	157,200	12	13,100		
Within Groups	180,000	14			

### **Result Analysis of SPSS**

The computer analysis of SPSS on the options shows F-value to be 0.870 while the critical value is 0.251. Since the F-value is greater than the critical value (i.e.  $F_v > C_v$ ) The null hypothesis  $H_0$  will be rejected and the alternative hypothesis ( $H_1$ ) accepted. This means that privatization of public enterprises a tool for evaluating performance in EKO Distribution Company in Lagos State.

### **Discussion of Findings**

The result of this study shows that there is a positive relationship between privatization of public enterprises, economic development and employee performance. Privatization of public enterprise a tool for evaluating employee performance in EKO Distribution Company in Lagos State. This is confirmed by the result of the SPSS which revealed that privatization of public enterprise is needed to improve economic development and evaluating employee performance. Hence Arowolo and Ologunowa (2012), opine to this that privatization of public sector provide effective mechanism for promoting economic development.

There has been an increase in workers' output after PHCN was privatized. This implies that the level of productivity of the workers has risen after PHCN was privatized to EKO Distribution Company in Lagos State. Management – workers relationship has recorded improvement after the privatization of PHCN. This seems to suggest that privatization of PHCN has reduced the friction in labour-management relations and has enhanced cordiality and cooperation between the two. There has been some improvement in the attitude and relationship of EKO Electricity Distribution workers with the public in its post-privatized era. This implies that the orientation of the PHCN workers have change to a more customer – friendly relationship whereby the personnel now regard the customers as the reason for business transaction.

Corrupt practice shave been drastically reduced after the privatization of PHCN. This does not suggest that there are no incidences of corrupt practices in the Eko Distribution Company. Rather it implies that there occurrences of these corrupt acts are now minimal especially after the public enterprise was privatized.

### **Conclusion and Recommendations**

The privatization programmes of the last three decades have significantly reduced the role of public enterprises in the economic life of Nigeria. It is an observable fact that the government, through its agencies, privatized companies that have had no direct bearing on improving the living standards of the people. Emphasis should be on privatizing public utilities, which will become more efficient in the hand of private investors. If privatization is to achieve the stated objectives, the execution should be in the best interest of the nation and welfare of the citizenry. Privatization should not be left with few individuals in power turning it to personal or family affair and dispose of valuable investments either to themselves, their associates or cronies.

The government should look beyond the immediate gains of privatization and sell utilities that would in the near future make the economy thrive and bring prosperity to the masses of Nigeria. This is because the essence of governance is traditionally the provision of social services for the populace, this cannot be rationalized otherwise.

Privatization is a very complex and complicated issue requiring a comprehensive and intensive study of its consequences before implementation. Besides, privatization of public enterprises is a panacea for Nigeria's many economic woes.

Hence, the privatization of the Nigerian Public Enterprises needs to be depoliticized so as to ensure that the public enterprises are sold to the right people and companies in order to improve on the efficiency and performance of the privatized public enterprise

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