

# **CHAPTER ONE**

## **1.0 INTRODUCTION**

### **1.1 BACKGROUND OF THE STUDY**

Today, we are witnesses to sweeping changes that are taking place in the economies of both developed and developing countries. These changes relate to efforts to move away from government ownership, control or participation in the economy towards free enterprise and increased operation of market forces. On the whole, the changes are making for the reduction in the role of government in the economy with a corresponding expansion in private sector ownership control and participation.

Despite the numerous measures in form of economic policies consisting of several incentives to promote industrial, agricultural, and other activities, the Nigerian economy for example still exhibits very prominent features of underdevelopment and such features includes poor managerial skill, heavy reliance on a single commodity oil, which has failed to provide the much needed capital

in huge sums as expected for the conscious implementation of a single strategy of development.

Public business enterprises creates a solution in which national funds that would have been better spent to guarantee new economic activity and employment opportunities for the army of unemployed is being used to subsidize deadwood that would neither grow nor change. Public enterprises are enterprises that are controlled by the state, they are non-profit oriented enterprises.

The participation of the states in enterprises in Nigeria dated back to the colonial era. The task of providing infrastructural facilities such as railway, road, bridges, water, electricity and port facilities fell on the colonial government due to the absence of indigenous companies with the required capital as well as the inability or unwillingness of foreign trading companies to embark on this capital intensive projects.

This involvement was expanded and consolidated by the colonial welfare development plan (1946 – 1956) that was formulated when the labour party came to power in the United Kingdom. This trend continued after independence such that by

1999, it was estimated that successful Nigerian governments has invested up to 800 billion naira in public owned companies.

The privatization and commercialization net of the 1988 and the Bureau of Public Enterprises Net of 1995 defined privatization as the relinquishment of part or all of the equity and other interests held by the federal government or any of its agencies in enterprises whether wholly or partly owned by the federal government.

Although the public enterprises have been subjected to criticisms, one to poor management and inefficient utilization of resource and mostly regarded to a dead wood that will neither grow nor change, it was these construct criticism levied against them that led to the idea of privatization and commercialization in which the exercise would enhance efficiency in the economy, rid firms of the crude and undue governmental interference which have been the bane of most public enterprise in Nigeria and other developing countries and also limit the drain by the public enterprise on government resources but the basic objective of the exercise is to enhance efficiency and profitability in the government owned industries.

## **1.2 STATEMENT OF THE PROBLEM**

Privatization takes an existing government services, and replaces it with a private service. But over the years in Nigeria for instance the sheer waste and inefficiency of government owned industries became glaring from the early 1980s in with the onset of economic crisis, by then, public companies had become heavily dependent on the national treasury for the financial operation and their activities were characterized by mismanagement of the funds and operations, corruption, misuse of monopoly power and bureaucratic suffocation from supervising ministries, Obadan (2000; Olukeshi; 1993:16)

However, as noted by some writers, the actual performances of many of the public enterprises have left much to be discussed. Many of them were not responsive to the changing environment of the growing and dynamic economy and they did not possess the necessary tools for translating into reality the hopes of successful commercial operations. It was obvious that the commission's report of cost effectiveness and insufficient attention to financial records

by parastatals. It recommended an increased role of the private sector especially in non sensitive or non security related parastatals Olukeshi (1993:1).

Therefore, the policy of privatization and commercialization of the development of the nation's economy has been called to restructure and reverse the economy in the country and make it a better place.

### **1.3 OBJECTIVE OF THE STUDY**

1. To find out the effect of privatization and commercialization of government owned industries in developing economy.
2. To know the reason why government embark on privatization and commercialization of their own industries in developing economy.
3. To find out if privatization and commercialization of government owned industries improved the efficiency of service delivery on developing economy.

4. To identify the problems militating against privatization and commercialization of governmental owned industries on developing economy.
5. To determine whether privatization and commercialization help to solve the problems of government owned industries on developing economy.

#### **1.4 RESEARCH QUESTIONS**

In order to identify the problems that are militating against their performance, the following research questions were put forward.

- 1 Why did government embark on privatization and commercialization of their own companies in developing countries?
- 2 What impact does the privatization and commercialization have on government owned companies or industries on developing countries?
- 3 What are the problems militating against government owned companies in developing economy?

- 4 To what extent does privatization and commercialization proffer solution to the problems associated with government owned companies on developing economy?

### **1.5 SIGNIFICANCE OF THE STUDY**

A research is carried out to find out solution to the various problems that face mankind in the environment or society. This study tends to create awareness to citizens of developing countries and economic planners on the implications of the privatization and commercialization of the public enterprises in developing economies. The importance of this study has both theoretical, practical and policy values and would help in the assessment of government owned industries.

Also, the study will also stimulate further enquiry in the study of policies particularly in the area of economic development.

Again, the study will be of immense academic importance as it will give direction to students of political science and public administration for further research into a new economic

development. At the practical level, the study will help to keep Nigerians and other developing countries abreast with the challenges in an area of privatization and commercialization. This will help to mobilize not only their intellectuals but also the policy makers and administrators to rise to the challenges of analyzing and integrating this new development in history.

## **1.6 SCOPE OF THE STUDY**

The scope of this research is limited to Enugu state. Focus is also on PHCN formally owned by the federal government. This company is expected to make profit while charging competitive prices.

The scope of this study is also limited to the activities concerned with privatization and commercialization of public enterprises in Nigeria and other developing economies which was facilitated as a result of the failure and inefficiency surrounding its (PHCN) activities and program to the public.



## **1.5 LIMITATION OF THE STUDY**

The research work is limited by the time span within which the researcher is required to complete this work.

Finance was another constraint to the study. The financial problem, make the researcher not to travel far to get all necessary data for the work.

Limited material was another constraint to the completion of the work.

Another limitation problem of the study was the attitude of respondents. Some of the respondents were reluctant to disclose information to the researcher which would have led to more accurate assessment of the situation.

The cost of newspapers, (journals, magazines and national dailies also caused problems to the researcher.

Distance and exit also constitute constraint which hinders the project work. The school authority restricts the movement of the student which made it difficult for the researcher to easily travel out and get the necessary material for the work.

## **1.8 DEFINITION OF CONCEPTS**

This study is made up of two important concepts the outright sale of government owned companies to private individuals in terms of privatization and the operation of government enterprises as profit making ventures that changes market prices for their operations in the commercialization.

- ❖ Privatization can be defined as narrowly as the transfer of government owned shareholding in the designed enterprise to private share holders, comprising of individuals and corporate bodies.
- ❖ Commercialization on its own, means the re-organization of enterprise wholly or partly owned by the government in which such commercialized enterprises shall operate as profit making commercialized enterprises shall operate as profit making commercialized ventures without subvention from government.
- ❖ Government owned companies are companied hold, directed and controlled by the government.

- ❖ Monopoly power: the excess of price over marginal cost is a measure of monopoly power.
- ❖ Private sector according to giant paper back dictionary, private sector is that part of a country's economy consisting of privately owned businesses etc.

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## **CHAPTER TWO**

### **LITERATURE REVIEW**

#### **2.1 REVIEW OF RELATED LITERATURE**

There are various kinds of opinions of many scholars. On the activities of privatization and commercialization of government owned industries. The federal government has restated its commitment to the privatization programme, saying that it would not allow obstacles to make it change its focus.

UKWU [1982] said that the perennial problem of public enterprises arise from the composition of the board and their relationship with the management. In particular, the conflict between the chairman and the chief Executive himself usually, direct appointees are appointed for reasons of political patronage rather than any contributions they are capable of making to enhance performance.

Abba (2008) argued that some public enterprise, whose establishment are hinged on regulatory philosophy have also not lived up to standard. Due to endemic corruption in these

enterprises, officials collect bribes and truncate their primary reasons for establishment.

But in the words of Chief Olusegun Obasanjo (1999) in his assessment of the decline in Nigerian government owned industries asserts that these industries that these suffer from fundamental problems of defective capital structure ,excessive bureaucratic control or interception, inappropriate technology, gross incompetence and mismanagement, blatant corruption and crippling complacency which monopoly engenders.

Excessive ministerial control and political interference according to Ogunna (1999) defect the primary objective of living-off government owned industries and public corruption and therefore, are anti-theatrical to effective performance.

RYNDIMA et al[1980] dealing on the political economy of surplus augured that for there to be increase in productivity or output commonly known as “Surplus Value”, there will be intensified exploitation of the workers in the public corporations. These measures can measure up; there are other ways of getting

their desired objective, example by spreading up work [production] overtime and underpayment of workers.

In the words of Ogunna [1999] the poor performance of government owned industries in, Nigeria can be approached from the perspective of inadequate financial and material resources; poor management, corruption and lack of continuity of public corporation boards.

Ollor[1986] was in support, when he said that giving the economic recovery objective of the government 'privatization' will relieve the financial burden of government and release fund for it to use in other areas.

LEWIS [1994] supports the view of efficiency, which the private sector is to be more efficient, more productive and more profitable. In short, privatization according to him will increase government revenue and cut down or eliminate waste and unnecessary bureaucracy.

NELLIS (999) IN Obadan (2000:19) agreed with the above assertion by saying that, in empirical terms, various assessment of

privatization lead to improved performance of private companies and that privately owned firms out per terms “State Owned Firm”. He posits that increasing evidence also shows that privatization yield positive result in lower income and transition countries or in developing and developed countries as well.

Cruislain (1997) is of the view that the move for privatization is that most government find themselves facing deep budget deficits and public finances crises; the state no longer has the financial resources either to offset the losses of state owned industries (SOIs) or to provide the capital increase necessary for their development. Thus, emphasizing that privatization is the answers to most (SOIs) are deeply involved in corrupt practices that have depreciated the values, to achieve the basic requirement expected of it.

The Director General, Bureau of Public Enterprises (BPE, Dr. Christopher Anyenwu said that government would find it from meeting its privatization objectives. He listed the objectives of the privatization among others to include the restructuring and rationalization of the public sector in order to lessen the dominance of unproductive investments, besides privatization was



targeted at raising funds for financial, social, economic development in areas such as health, education and infrastructure. General Ibrahim Babangida was the first to take a concrete step towards privatization and commercialization of some government owned industries.

Having reviewed some books on administration and management problems of government owned industries and possible ways of reformative measures and the causes of those problems that have engulfed these government owned industries especially from the external and internal factors and also having reviewed some books and articles on these privatization and commercialization the policy has been detrimental to the poor in the society. Let us now attempt a review of some books and articles that sees privatization and commercialization as an exploitative tool in the hand of ruling class and the foreign allies.

Nnoli (1981) historically, introduced the issues of initial rationale way government involved in business activities that those reasons should not be sacrificed at the alter of bourgeoisies inclined profit maximization. He contends because government, public parastatals was only peripheral to the interest of the foreign

capitalist conditions of work in it, particularly the wages were attractive in the private companies with a consequent lowering of workers moral and productivity. That the public sector should not be blamed for its inefficiency has occurred in public sectors, most of its activities were performed by private sector.

Another article assessed the different dimensions of which privatization and commercialization have been viewed by various scholars. I think the program from the onset has no clear focus. The government was not really sure what it wanted from the program and consequently the TCOC itself did not know where its true mission was, they never knew whether their mission was raising money for the government or haring the national cake.

Furthermore, Bala (2004) found out that the privativazation in Nigeria a has been able to replace the public monopoly with private monopoly. However, the major impact of the reform has been in the area of increased competition and efficiency. These were evidenced in the power holding, petroleum and banking sectors.

According to garbaon vanguard, Thursday, September 10, 2009, today. The world has virtually become a global village in terms of

per holding and doing business is gradually shifting from boardrooms to individuals homes, courtesy of power holding.

Mr. John Odey, the minister of environment (2009) said, although the power holding industry had impacted positively on the economy and lives, it should not be allowed to hamper people's health and environment. We must balance the social, economic and environmental aspects of our developmental areas.

Kalu (1999) contributed that as the end of 2004, over 10 industries had been commercialized. For example, as Power Holding Company of Nigeria (PHCN), Nigeria telecommunication limited (NITEL) now Nigerian telecommunication Plc etc.

According to federal government of Nigeria (1993), the long term goal of a power holding company is not only to be self financing but also to generate reasonable return on investment and provision of electricity / Power supply.

Amaechi argues that with the Nigerian belief which holds that government owned industries are nobody's property, every one inside and outside then strives to loot them and no one preserves them. He argues that privatization is a step of fighting this ugly trend.

However, Okoli (2000) in an article entitled “the political economy of the privatization of Public Enterprises in Nigeria” a study of Nigerian Gas Company Limited; Enugu states that the deteriorating economic conditions of these enterprises are intricately tied to the socio-economic conditions of these enterprises and political problems of Nigeria.

Dr. Okigbo (1981) opined that caution is required to critically re-evaluate what exactly the pres-achieve, what is relevant in our own situation and to determine how much and how far it should be adopted here and with that modifications about who acquires the state financial interest is important.

More also, Suleiman O. Umar in an article, “privatization and commercialization, a review” criticized the pricing technique being used in the programme which he regarded as fanciful methods off valuation and goes onto say that, he is of the opinion that a lot of improvement of the economy values of the companies being valued.

Ake (1981) opined that, it would appear that state capitation arise primary out of the desire of the national petit-bourgeoisies which inherited political power from the colonizers to create and economic base of its political power.

Obasi (1985, cited in Okolie 2000:151) emphasized that public enterprises are non-ministerial governmental established, set up to provide services, carry out industries or commercial business or regulate activities or practice in some sector which are considered fundamental to the nation economy. He classified public corporations as “government – owned organizations established to provide reasonable prices to people.

## **2.2 THEORITICAL FRAMEWORK**

According to Ogbam – Iyam who see’s theory as a set of interrelated concepts that are used to explain, describe, interpret and predict the relationship between phenomena or variables; theory helps to provide us with a way of looking at the real world.

Here, structural-functional theory is used as suitable framework of analysis for the policy of privatization and commercialization of government owned industries. Structural-functionalism as a theoretical framework is intended to explain the basis for maintaining order stability in the society and relevant arrangement within the society. This theory originated in the

biological and medical science, it was adopted as a mode of analysis in sociology and anthropology as evidenced in the works of Emile Durkheim and Talcolt Parsons.

It was developed for political analysis by Gabriel Almond, S. P. Verma stressed that structural functionalism involved two main concepts, such as structures and functions. Structure refers to the arrangement within the system which perform the functions. Also, structure is the way in which the parts are connected together in order to be arranged or organized. Function has been defined by Merton Robert as those observed consequences which make for the adoption or adjustment of a given system. According to Oran Young, function is generally defined as the objective consequence of a pattern of action for the system in which it occurs.

The basic assumption of the structural functionalism framework is that all the system has structures which can be identified and those structures perform functions within the system necessary for its persistence. It refers to the structures that are fund in any system and functions performed by structures. This theory can achieve purpose of privatization and commercialization,

if the government makes use of its and apply it to the various structures of government or substructure to perform effective functions for smooth running of government activities which enhance economic growth.

For instance the PHCN in Nigeria which is privatized, brought about positive changes in electricity sector and contributed to economic development of the country.

### **2.3 THE CONCEPT OF PRIVATIZATION AND COMMERCIALIZATION.**

According to (Obadan 2000), privatization and commercialization have been in existence in the Western countries but it was introduced in Nigeria in 1986, during the administration of the Major General Ibrahim Babangida. The first official statement on privatization and commercialization was made by President Ibrahim Babangida when he said “government parastals have for long been subject of studying and policy review. They have generally come to constitute an unnecessary burden on government resource”.

Privatization and commercialization were introduced so as to increase the efficiency of those parastatals that heavily depended on the subventions from the government to run their business. Besides, it was introduced because, it was one of the conditions needed by the international monetary fund (IMF), when Nigeria applied for a loan of 2.3 billion,

#### **2.4 MEANING AND DISTINCTION BETWEEN PRIVATIZATIN AND COMMERCIALIZATION.**

Mbanefo, A C (1991) said, that although privatization and commercialization exercise came out together, they are not the same thing. Privatization is defined narrowly as the transfer of government owned shareholding in the designed enterprises to private shareholders, comprising individuals and corporate bodies.

Broadly defined privatization as an umbrella form to describe variety of policies which encourage competitors and emphasizes the role of market forces in place of stationary restriction monopoly powers.



Privatization according to law of the federation (1990) is the relinquishment of all or part of the equity and other interest held by the federal government and other interest held by the federal government or its agencies in enterprises whether wholly or partly by it.

Michael (2002) defined it as a service previously non-governmental organization.

WHILE Commercialization according to Mbanefo (1991) means the re-organization of the enterprise wholly or partly owned by the government in which such commercialized enterprise shall operate as profit making commercialized venture without subvention from the government.

Privatization exercise is aimed at transferring all or part of the equity shareholding to the government in enterprises can complete favorably within counterpart market forces. The policy was being pursued mainly because of managers of the objectives of the government.

Commercialization according to Ekwealor (2007) on itself was pursued to make public enterprise operate as profit making organization. The essence of the program was as a result of the fact that a lot of public companies could not attain break even on their own, therefore depended heavily on the subvention from the government to enable them survive economically.

Guislain (1997) said that the economic difficulties that faced many developing countries from the mid 80's till now made it necessary that the government will have to reduce the expenditure on parastatals. It is questioned whether at a time of national economic depression like this; we can afford the huge waste of public funds in sustaining public corporations. Every year, the government losses huge amount of money while their private counterpart's make enormous profits.

Amaechi said many people see the resources as nobodies resources and their believes are to embezzle or mismanage public resource and have their own national cake.

## **2.5 TYPES OF PRIVATIZATION**

1. Full privatization (by Ekwealor, 2007): This means divestment by the federal government of all of its ordinary shareholding in the designated enterprises.
2. Partial privatization: This means divestment by the federal government of part of its ordinary shareholding in the designated enterprises.

## **2.6 TYPES OF COMMERCIALIZATION.**

1. Full commercialization: This is the type of commercialization in which the government sells off all its equity shareholding in a given enterprise. Commercialization under this is expected to operate profitably on a commercial basis and be able to raise funds from the capital market without governmental quarters, the enterprise also uses private sector products in running its business.
2. Partial Commercialization: Under this approach, the government sells off part of the equity shareholding to the public retaining some. An enterprise commercialized under

this is expected to generate enough revenue to cover their operating expenditures. The government may however consider the enterprise for capital grant to finance its capital intensive projects. The government used this type of commercialization to retain some control of the enterprise under this type, is the enterprise that provide basic services to the masses as one commercialized by using this approach.

## **2.7 METHODS OF PRIVATIZATION**

Kalu (1999) privatization exercise was being carried out using about five methods which were adopted by the committee on privatization and commercialization (TCPC). The methods are as follows.

1. Public offer for whole sell shares: Some enterprises are being privatized through the public offer for sales of their shares through the capital market (i.e stock exchange) provided that the enterprise to qualify for the listing on the stock exchange, the enterprise must have a trick record of three years running. A total of 35 public companies have privatized through the

method and over 1.5 million shares were sold to citizens and associations in Nigeria and other countries.

2. Private placement: Private placement of shares of affected enterprise occurs in the case where the government holding is too small that technical committee pursued the majority share, even to make public offer of shares even where the enterprises fulfils the listing requirements of the stock exchange. This method has been used in case where the futile potentials of the affected companies have been privatized through placement.
3. Sales of assets: this is taken to be one alternative method. It is applied where one enterprise cannot be total either by public offer of shares or by private placement. This is always because such companies have poor past records and its future not looking very bright. Such enterprise is normally liquidable and the assets sold using piece meal methods. The sale it through public tender. A total of 26 companies were privatized by using this method.
4. Management buy out: This method involves the entire or substantial part of the equity share capital of the enterprise

being sold to the workers will then organize them and manage the enterprise. Only one enterprise has been privatized by management buyout.

5. Deferred public offers: this method of privatization is developed and used for enterprise through considered viable. If sold by shares they would realize revenue which would be less than the real value of the underlying assets of the enterprise. The price of the revalued asset is negotiated by the buyer and the seller. A total of four hotels enterprises have been privatized by this method (Ekwealor Ferdinard)

## **2.8 METHOD OF COMMERCIALIZATION**

According Ekwealor, there are several ways of commercialization of the enterprise, which include:

1. Corporate Plan: Each enterprise develops a corporate plan to take a long term view of operations especially in the area of growth in profitability or generation of surpluses. The targes

and objectives for evaluating the performance and monitoring of the enterprise.

2. Monitoring of Public Enterprises: The Bureau of public enterprises performs the oversight function of monitoring the performance of commercialized public enterprises in accordance with the enabling act. The monitoring is to ensure that the management of public enterprises and federal government of Nigeria and other developing countries keep to the terms and conditions of the contract agreement or performance.

## **2.9 THE GAINS AND UTILIZATION OF PRIVATIZATION**

### **PROCEED**

According to Obanda (2000) privatization as an exercise is carried out in order of proceeds form which can be used either to reduce external indebtedness or to supplement the annual budge revenue. Privatization should be pursued by countries that are debt ridden and the large public enterprises in which sustainatial investment has been sunk should be commercialized to reduce some money. In

Nigeria, the case is somehow different thus because Nigeria sought privatization because of Prague rather than dialogical or debt consideration.

The proceeds come in form of saving the money with the subvention; this is because it is a common knowledge that our statutory corporations are waste pipe on the scare capital resources of the government. Some of the public enterprises have not been able to make marginal profit or at least break – down. The proceeds from privatization will also result from increased output and efficiency of public enterprise because most public corporation have been unable to provide effective, efficient and reliable services to the nation. Privatization will also reduce bureaucracy which is eminent in public corporation and will reduce the influx of politicians and government comprehensive influence and control. Therefore, privatization will lead to increase in profitability.



## **2.10 OBJECTIVES OF PRIVATIZATION**

The objectives of privatization has been summarized as follows (by Obanda 2000:12-23)

1. To lessen the dominance of unproductive investment in the public sector: Reduction to complex administration control simultaneously and the encouragement of realization of public sector enterprises.
2. Privatization was also aimed at achieving a wider share ownership in the economy: The ownership of some share ownership is the economy. The ownership of some corporations are very narrow, and this does not look very good to the socio – economic situation of capital market. This is achievable by making public corporations independent of states ownership and control.
3. General circulation of new investment, including foreign investment.
4. Reduction in government interference in the economy and promoting market forces in the economy equitably.
5. Reducing the administrative burden of government

6. Providing opportunity to introduce competition
7. Improving economic efficiencies against the background of government own industries.
8. Privatization is also aimed at promoting investment and saving in Nigeria and other developing country. This is possible to be achieved in the proceeds of privatization, if the companies in question are completely or partly independent of the government.

## **2.11 EFFECTS OF PRIVATIZATION AND COMMERCIALIZATION OF GOVERNMENT OWNED INDUSTRIES ON A DEVELOPING ECONOMY.**

Privatization and commercialization is in line to have business purchase, if the corporations involved are well designed to be profitably foreseen.

(STEVE HANLSS) this policy had lot of effect and will still have effect on the business environment of the following. Effect are taken to be encouraging as a result of the privatization and commercialization policy.

1. An outstanding effect which is positively coming out of the policy of privatization and commercialization is the decrease in government spending. This is an advantage because such saved would be used in providing infrastructure.
2. There is a clear evidence that if any of government owned industries are transferable into the hands of the private investors, they are likely to perform well economically. This is because government will withdraw the subvention forcing the owners who are also shareholders to be serious, efficient and effective.
3. An indispensable good effect to the policy is another way of transferring most of the corporations into the hands, control and management of a corporation.
4. Privatization and commercialization of government economy will reduce government bureaucracy, reduce state monopolies and to ensure level playing fields.
5. It will help to increase the quality of goods and services, reduce corruption and increase staff quality and supervision.

6. Privatizing and commercializing government industries will improve market analysis, free up government funds and create employment.
7. Privatizing and commercializing government owned industries will re – invigorate the local economy, expand local businesses, attract direct offering investments and expand markets.
8. It will also redistribute wealth, improve technological transfer, enhance trade control regulations etc.
9. Privatization and commercialization of government owned industries also improved the potential, efficiency and service delivery e.g. in Nigeria by making PHCN easily accessible and affordable.

## **2.12 PROBLEMS OF PRIVATIZATION**

Ogunna (1999) privatization has been engulfed with complex problems with each country having its own peculiar solutions.

These problems are:

1. Private firms concentrate on profit making to the detriment of essential public service.

2. Private firms render more expensive services and fail to invest on infrastructure.
3. Reductions of public workforce and experience private companies are interested in short term benefits.
4. Privatization replaces state monopolies with private monopolies.
5. Private firms encounter problems of new government regulations.
6. Private companies replace state corruption with private corruption.

## **2.13 NECESSARY CONDITIONS FOR THE SUCCESS OF PRIVATIZATION**

According to Kalu (1999), certain conditions must exist for the privatization program to be successful.

They include:

1. **POLITICAL COMMITMENT:** Experience of some countries show that lack of political commitment has ruined the

privatization programmes. To be successful, the leadership must show a high level of commitment to it.

2. **CAPTURING THE CONFIDENCE OF LABOUR:** Government should endeavor to win over labour acceptance of privatization by giving them ownership of shares in the enterprises. Workers should be allocated a percentage of the shareholding at a special discounted price.

3. **TRANSPARENCY OF THE PRIVATIZATION PROCESS:** Privatization requires a huge degree of transparency to succeed. The public needs to understand the process and see clearly that there is no corruption or favoritism.

4. **INCLUSION OF LABOUR:** Interactions with the unions as stakeholders is often a food strategy. One of the major mistakes that is common in privatization in Africa is taking the workers for granted. When the unions are not involved in the organized process, it may be difficult to gain their cooperation.

5. **RESTRUCTURING THE ECONOMY:** Anyanwu argues that privatization will help restructure the Nigerian economy,

relocate public funds to efficient uses, create a self sustaining culture, attract foreign investors, while goods and services will reflect real values.

## **2.14 LIMITATION OF PRIVATIZATION AND COMMERCIALIZATION**

Abba (2008) said privatization and commercialization appear to be dependable solution to cutting government owned industries but has its limitations. The limitation are central round it encouragement of capitalism.

Capitalism is and economic system which advocated the private ownership of property. Capitalism as an economic system puts the production means into private hands. If privatization and commercialization is practiced to its extreme, it will lead to full capitalism

## **2.15 HISTORICAL ANALYSIS OF THE ORGANISATION UNDER REVIEW (PHCN)**

The Power Holding Company of Nigeria (abbreviated as PHCN) formally the National Electric Power Authority (abbreviated as NEPA) is an organization governing the use of electricity in Nigeria.

The history of electricity development in Nigeria can be traced back to the end of the 19<sup>th</sup> century when the first generating power plant was installed in the city of Lagos in 1898. From then until 1950, the pattern of electricity development was in the form of individual electricity power undertaking scattered all over the towns. Some of the few undertakings were: federal government bodies, under the public work, department, some by native authorities and others by the municipal authorities. ELECTRICITY CORPORATION OF NIGERIA (ECN).

By 1950, in order to integrate electricity power development and make it effective, the then colonial government passed the ECN ordinance no 155 of 1950. With this ordinance in place, the electricity department and all those undertaking which were controlled came under one body.



The ECN and the Niger Dam Authority (NDA) were merged to become the National Electric Power Authority (NEPA). With effect from 1<sup>st</sup> April 1972. The active merger did not take place until the 6<sup>th</sup> of January 1973 when the first general manager was appointed. Despite the problems faced by NEPA, the authority has played an effective role in the nation's socio-economic development, thereby steering Nigeria into a greater industrial society. The success story is a result of careful planning and hard work. The statutory function of the authority is to develop and maintain an efficient co-ordinate and economical system of electricity supply throughout the federation.

The decree further states that the monopoly of all commercial electric supply shall enjoy the NEPA to the exclusion of all other organization. This however, does not produce privy individuals who wish to buy and run terminal plants for domestic use. From doing so. NEPA, from 1989 has since gained another status, that of quasi – commercialization. By this, NEPA has been granted partial autonomy and by implication, it is to feed itself. The total generating capacity of the six major power stations are 3,450

megawatt. In spite of any considerable achievements of recent times with regards to its generating capacity, additional power plants would need to be committed to cover expected future loads. At present, efforts would be made to complete the on-going power plant projects. Plans are already nearing completion for the extension and reinforcement of the existing transmission system to ensure adequate and reliable power supply to all parts of the country.

By 1970, the military government appointed a Canadian consultant from "Showmen Limited" to look into the technical details of the merger. The report was submitted to the government in November 1981.

By decree No 24, the ECN were merged to become the NEPA with effect from April 1972. The actual merger did not take place until 6<sup>th</sup> of January 1973, when the first general manager was appointed. The day-to-day running of the authority is the responsibility of the managing director.

In the early 1960's the Niger dam authorities (NDA) and electricity corporation amalgamated to form the electricity corporation of Nigeria (ECN). Then, immediately after the Nigerian

civil war, the management of ECN changed the nomenclature of NEPA which is currently referred to as the Power Holding Company of Nigeria (PHCN), formally known as National Electric Power Authority (NEPA). The federal government of Nigeria has increased the tariff to attract foreign investors since the 1<sup>st</sup> of July, 2010 in order to the growing concern for foreign investors into the electricity sector.

The dismal performance of NEPA at the end of 1984 led general Babangida administration to withdraw the subsidies to the industry along with other government cooperations and begin the implementation process of privatizing them. However, NEPA was then partially commercialized, but most Nigerians called for the outright privatization not only to break the monopoly enjoyed by NEPA, but also to make it more efficient to the development of other sectors depending on the availability of the volume of electricity generated in the country (Isedi, 2005).

## **2.16 THE REASON'S FOR PRIVATIZATION OF PHCN**

The poor performance of NEPA led to the Babangida administration of the close of 1987 to review the subsidies to the industry along with other government corporation and parastatals. Despite the huge investments by government there were low returns on investment and the implementation of privatization reached it's apex in Nigeria in 1986. When general Babangida administration on introduced structural adjustment programme (SAP). At that time, NEPA was partially commercialized until people started demanding for its outright privatization not only to break the monopoly enjoyed by NEPA, but also to ensure that they are more efficient and result oriented to accelerate the development performance which depended largely on the availability of the volume of electricity in the country.

Also, PHCN being privatized is expected to put to rest, government interference in running of the corporations while the attendant problems such as bureaucratic procedure, delay in decision making and recruitment of personnel based on patronages

rather than merit will be removed when private sectors take over the ownership of PHCN.

It is worth to state that rapid economic growth and development has remained a major objective of different administrations in Nigeria. But in spite of the various policy measures including indigenization adopted by the government of Nigeria, no meaningful economic growth and development has occurred in Nigeria over the years. There is also supervision of parastatals by the supervision ministries, which stipulates management initiative and increases unnecessary bureaucratization of operation all resulting in poor performance.

Moreover, the appointment of chief executive and principal functionaries of parastatals were not done based on provable records of economic and industrial management, but simply on the ground of nepotism, disguised as federal character. Over the years, successive administrations have been compelled to look for ways of cutting down expenditure. And raising revenue as the continues support of inefficient public company fake NEPA is considered economically indefensible. This led to the need for restructuring of

the corporation through privatization of PHCN for greater efficiency, effectiveness and result oriented.

## **2.17 PROBLEMS MILITATING AGAINST PHCN**

There are many problems militating against PHCNs performance, since it was commercialized, these problems range from natural and human disaster and have continued to wreck havoc on PHCN equipment and installation. Millions of Nair are being lost to nature's sabotage causing black outs, fluctuations and wage destruction to infrastructure and facilities. Such situations whereby PHCN has no control over natural calamity, places the authority at the obvious mercy of the unknown. Another major problem of PHCN is the obsolete equipment and out dated materials.

The authority is always in a constant dilemma working materials, the high cost of importation against the background of depressing economy and depreciating currency system to replace those obsolete equipment.

There is also another problem of non – settlement or prompt payment of electricity bills by the consumers. Safe guarding of PHCN equipment and avoidance of illegal tempering of materials. The fact remains that prompt payment of PHCN bills and all categories of consumers will tremendously improve the authority’s cash position and stimulate efficiency. It is also pertinent to note that while it costs huge money to maintain the generation and transmission facilities annually. Government only releases meager amount to PHCN authority to that effect.

The above mentioned problems coupled with the fact that most PHCN transmission and generation machines were installed in the 1960’s combined to worsen PHCN’S light.

## **2.18 THE MISSION STATEMENT OF POWER HOLDING COMPANY OF NIGERIA (PHCN)**

Tobi, A. (2010) publication states the mission of PHCN as follows:

1. To generate, transmit and distribute power supply to the masses on their coverage map.

2. To maintain and service the power grids, power stations, power lines, transformers and replacement of facility poles and all power installations.
3. To carryout routine checks on Dam operations, water management or power generation, flood control, navigation channel, demarcation and resettlement of displaced villages in her station sites.
4. Security and post – contingency analysis for her power installation, scheduling routine maintenance of non – operational lines.
5. To maintain and improve the quality of life and standard of living of the people in the rural area by:
  - ✓ Raising the quality of rural electricity supply in the rural environment.
  - ✓ Making it possible to have a progressively wider range of small and medium scale enterprises (SMEs), which produce goods and services to be produced and consumed by the rural dwellers.



- ✓ To ensure a deeply rooted and self – sustaining development process based on effectively mobilized participation of stake holders.

## **2.19 FELT IMPACT BY CONSUMERS**

Over the years, government enterprises have become as inefficient as optimized by the epileptic services the render to the public. This is in spite of the fact that the government had and still continues to pump in a lot of money into them. Instead of improving, most of them seem to be retrogressing and acting as drain pipes on the economy without making any meaningful contributions to our economic development via service delivery (Obikeze and Obi 2003)

The Manufacturing Association of Nigeria (MAN) president Mr. Bashir Borodo (2010) said that the increase in electricity tariff by the minister of state for power, Mr. Nuhu Wuya was premature and counterproductive. He argued that the higher electricity tariff they pay was not helping the manufacturers in any way since the service provided was too epileptic and incessant, even though the federal

government has decided a huge resources to the power sector in the past (11) years without commensurate results.

He further maintains that, Nigerian consumers are not getting value for their money. And that, manufacturers do not depend on public power supply any more but on generators. He noted that though generators may cost them more, it is better on the long run because it would not disrupt their production activities. Borodo argued that the focus of the federal government should be on governing sufficient power, which he said remained a major factor needed to propel the growth of the real sector. They cannot generate enough for supply and in such situation, it is like putting the “cart before the horse” he continues, “government should pay the cost tariff for the electricity they consumed, as this would ensure improved supply, many manufacturing companies have relocated to our neighbouring countries. The director general Nigerian textiles manufacturers associations, Mr. Jaiyeola Darewaju argued that the federal government should urgently address the problems of electricity supply and put measures in place to protect the textile industry. He said, without constant and adequate electricity supply,

funding alone would not give the desired result of reviving the textile sector of the economy to realize its dreams for the people.

The Nigerian National Petroleum Corporation (NNPC) has declared the Afam integrated power project and its neighbouring Okoloma Gas plant as critical project to drive governments plan to generate (6,000) megawatts of electricity.

Speaking at the end of presidential assessment visit to the two facilities in Rivers state, group managing director Mr. Mohammed Barkinde said, the monitoring enabled them to assess the progress of ongoing works and challenges.

Barkindo said, currently they can boast of generating only (450) megawatts because of the challenges of transmission company of Nigeria (TCN). They can only supply about (300) megawatts to the national grid due to these challenges.

## **2.20 TYPES OF COMPANIES UNDER FULL PRIVATIZATION**

According to Kalu (1999) and Ekwealor (2007) the following companies are under full privatization:

1. Hotels and tourism
2. Textile companies
3. Food and beverage companies
4. Agriculture and livestock production
5. Salt companies
6. Wood and furniture companies
7. Insurance companies film production and distribution
8. Flour milling
9. Cattle ranches
10. Construction and engineering companies

**THOSE UNDER PARTIAL PRIVATIZATION.**

1. Commercial and merchant banks development banks
2. Development banks
3. Oil marketing companies
4. Steel rolling mills
5. Air and sea travels
6. Fertilizer companies
7. Motor vehicle assembly plants

8. Paper mills
9. Sugar companies
10. Cement companies

### **2.2.1 TYPES OF COMPANIES UNDER FULL COMMERCIALIZATION**

1. Nigerian telecommunications limited (NITEL)
2. Associated Ores mining company Ltd
3. Nigerian mining corporation
4. Nigerian coal corporation
5. National insurance corporation of Nigeria (NICON)
6. Nigerian re-insurance Corporation.
7. Tafawa Balewa square management committee
8. Nigerian ports authority
9. African re-insurance Corporation.

### **THOSE UNDER PARTIAL COMMERCIALIZATION**

1. River basin development authority
2. Nigerian railway corporation

3. Nigerian airport authority
4. Power holding company of Nigeria (PHCN)
5. Nigerian security printing and minting company Ltd
6. National providence fund
7. Delta steel company Ltd
8. Federal housing authority
9. Federal radio corporation
10. Nigerian television authority

(Dr. Olewe, B.N)

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## **CHAPTER THREE**

### **3.1 RESEARCH METHODOLOGY**

Research method has to do with the methods adopted by the researcher to collect data which are relevant to the problem under consideration. The researcher used survey study method in the course of this research.

### **3.2 SOURCE OF DATA**

The data to be used for the study will be collected through two main sources which are

[1] Primary source

[2] Secondary source

#### **3.2.1 PRIMARY SOURCE OF DATA**

Specified (2000) defined it as the data collected on first hand information from the original source for the users express purpose.

Such data are usually obtained from the field through interviews,



questionnaires; survey planned experimental observation or recording of official transaction. The questionnaire was designed and distributed to respondents and later collected and analyzed by the researcher.

### **3.2.2. SECONDARY SOURCE OF DATA.**

The secondary source of data is obtained from the review of related literature. In other words, the researcher consulted published and unpublished books, journals, newspapers, magazines, official documents(that is government and non-government organization official documents with relevant data), the researcher made use of Caritas University library, lecture note book to mention but a few

### **3.3 LOCATION OF THE STUDY.**

Osondu (2004) said that, the area of the study refers to the geographical location covered by the researcher. The researcher focused her mind and interest on the study of the Power Holding Company of Nigeria, Enugu as a case study concerning herself with

the effect of Privatization and commercialization of government owned industries. The case study is located in urban area.

### **3.4 POPULATION OF THE STUDY**

For any researcher to collect information for a given research work, the researcher must specify the entire group that should embrace the information (Nworgu, 1991). Research population according to Osuala (2000) refers to the whole object from which the sample is drawn. Silverthorne, Fisher and Fort [1980] defined population as the totality of any group, person or project which is defined by some unique attribute. The population of the study which are the writers in the power holding company of Nigeria (PHCN). Enugu is two hundred (200) workers, both senior and junior staff.

## **POPULATION DISTRIBUTION TABLE**

DEPARTMENTS	POPULATION	PERCENTAGE (%)
Administration	60	30
Accounting	40	25
Engineering	65	35
Personnel management	35	10
Total	200	100%

### **3.5 SAMPLE TECHNIQUE**

This sample technique applied in selecting sample for the study was simple random sampling techniques. According to Borg et al (1993) simple random sampling is a procedure in which all the individuals in the defined population have an equal and independent chance of being selected as a member of the sample so as to be representative of the population from which they are drawn.

### **3.5.1 SAMPLE SIZE DETERMINATION**

According to Borg et ail [1983], sampling is a method of selecting a given or any portion or any portion of population for the purpose obtaining information for generalization about the larger population. The chosen population must be adequate represent all the existing characteristics.

Basically, the sampling procedure used in this work is simple random sampling in which the researcher allowed all the department in PHCN to take part. The populations of two hundred (200) staff were considered rather large relatively and so the researcher applied the TARO YAMMANI formula (1964)

Therefore, to ensure the effective coverage of the population, the formula was applied thus:

$$n = \frac{N}{1 + N(e)^2}$$

Where n= sample size

(e)=margin of error

1= Constant

Therefore  $N = 200$

$$E = (0.05)^2$$

$$1 = 1 \text{ (constant)}$$

$$n = N/1 + N (e)^2$$

$$= 200/1 + 200 (0.05)^2$$

$$= 200/1 + 0.5$$

$$= 200/1.5$$

$$n = 133$$

### 3.5.2 SAMPLING SIZE DISTRIBUTION

S/N	DEPARTMENTS	POPULATION	PERCENTAGE (%)
1	Administration	30	40
2	Accounting	25	27
3	Engineering	35	43
4	Personnel management	10	23
	Total	100	133

### **3.6 INSTRUMENTATION**

According to Odo [1999] instrumentation deals with the tools the researcher /scientist employs to generate information for data analysis. The information can be in form of questions or statement which the respondent is given to answer. It is called a questionnaire, when more than a piece of different type of such instrument is given to one respondent to react to.

The Instrument which the researcher used to gather information was questionnaire and interview method.

According to Behring[1992]and Summer[1980], questionnaire is a series of written questions or repository and a device that contains the instrument on a topic about which the respondent's written opinion are sought that measure the variable to research questions. That means the researcher have already indicated the variable of his best interest

Interview, according to Obasi, is a data gathering instrument that enables a researcher to have an in depth knowledge of interaction with the provider of such information. Hence, oral interview was

held with the workers of PHCN Enugu. The researcher developed three research questions and at of each research question, three(3) items were developed which totaled ten(10) items of questions.

### **3.7 RELIABILITY OF THE INSTRUMENT**

Odo ((1999) and Borg of all said reliability of an instrument is a process of obtaining information on the degree to which a measure Will yield similar results for the same subjects at different times.

In reliability of the instrument, the researcher used test-re-test method to establish the reliability of the instrument. This shows that the constructed questionnaire was distributed at interval more than once to the same group of people to know how consistent each element of the group is in the scoring of the instrument.

### **3.9 DATA COLLECTION**

The researcher collected data for this study through the use of questionnaire. One hundred and thirty three (133) copies of the

questionnaire was distributed to the respondents. The researcher went to the location of the study to distribute the copies of the questionnaire. A face – to – face system of questionnaire distribution is the process where the researcher visits the institution, (PHCN) company that is used as the case study to distribute the questionnaire directly by herself to the sample elements.

### **3.10 INSTRUMENT RETURN RATE**

The researcher distributed 133 copies of the questionnaire to the respondents of the institution i.e. (PHCN) and 129 copies were returned in which 4 copies were not found.

In the Administration department, 40 copies of the questionnaires were distributed and 38 copies were returned. 12 copies were not returned.

In Accounting department 27 questionnaires were distributed, 26 were returned, and 1 was not returned.



In Engineering department 43 questionnaires were distributed, 42 copies were returned while 1 copy was not returned.

Personnel management departments, a total of 23 copies were distributed, 23 were returned and 0 copies were not returned.

### **TABLE OF ILLUSTRATION**

Departments	No of questionnaire shared	No of questionnaire returned	No of questionnaire not returned
Administration	40	38	2
Accounting	27	26	1
Engineering	43	42	1
Personnel management	23	23	0
Total	133	129	4

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## **CHAPTER FOUR**

### **PRESENTATION, ANALYSIS AND INTERPRETATION OF DATA**

This chapter deals with the presentation of data collected in the course of the study with a view of making valuable recommendations and conclusions.

In analyzing the data collected, tables were used in the presentation of data. The simple statistical method of frequencies and percentages were applied. The research questions were also analyzed.

#### **4.1 ANALYSIS OF DATA**

##### **RESEARCH QUESTION ONE (1)**

Why did the Nigerian government embark on privatization and commercialization of their industries.

**TABLE 4.1.1 Respondents view**

RESPONSE	NUMBER	PERCENTAGE (%)
To generate profit	56	42
To enhance efficiency in service delivery	42	32
To create employment opportunities	35	26
Total	133	100

Source: field survey, 2012

**Table 4.1.1** shows that 56 respondents were of the view that government embarked on privatization in order to generate profit, while 42 respondents were of the view that government embarked on it in order to enhance efficiency in service delivery. The other 35 respondents were of the view that government embarked on it to create employment opportunities.

Therefore, we can say that government embarked on privatization and commercialization to generate profit.

### **QUESTION 1a:**

Since PHCN Enugu was commercialized, has it made more profit than before?

**TABLE 4.1.2**

RESPONSE	NUMBER	PERCENTAGE (%)
Yes	87	65
No	34	26
I don't know	12	9
Total	133	100

Source: field survey 2012

Table 4.1.2 shows that 87 respondents were of the view that PHCN was making more profit than before, while 34 respondents were of the view that PHCN was not making more profit than before. Twelve (12 respondents did not have an idea of whether or not they were making more profit than before.

Therefore, PHCN was making more profit than when it was still NEPA.

## QUESTION 1b

Does PHCN employ because of privatization and commercialization?

**TABLE 4.1.3**

RESPONSE	NUMBER	PERCENTAGE (%)
Strongly agree	40	30
Agree	60	45
Do not agree	23	17
No idea	10	8
Total	133	100

Source: field survey 2012

Table 4.1.3 shows that 90 respondents were of the view that privatization and commercialization has a positive impact, 32 respondents said it has a negative impact, 11 respondents had no idea if it had a positive or negative impact on the economy.

So therefore, privatization and commercialization had a positive impact on the economy, because majority of the respondent agreed to that opinion.

## QUESTION 4.2

Has the working conditions of the staffs improved since NEPA was transformed to PHCN?

**TABLE 4.2.1 RESPONDENTS VIEW.**

RESPONSE	NUMBER	PERCENTAGE (%)
Yes	70	53
No	43	32
I don't know	20	15
Total	133	100

Source: field survey 2012

Table 4.2.1 shows that 70 respondents were of the view that the working conditions of the staff of PHCN had improved since NEPA was transformed to PHCN. 40 respondents were of the point that the working conditions had not improved, 20 respondent did not know.

So therefore, since 70 respondents agreed, it therefore means that the transformation of NEPA to PHCN has improved the working condition of the staffs.

### **QUESTION 4.2b**

Has the output of PHCN improved since the commercialization?

TABLE 4.2.2 respondent's view

RESPONSE	NUMBER	PERCENTAGE (%)
Yes	85	64
No	33	25
I don't know	15	11
Total	133	100

Source: field survey 2012

Table 4.2.2 shows that 85 respondents were of the view that, the output of PHCN has improved commercialization, 33 respondents



did not agree that the output of the PHCN had improved since commercialization. 15 other respondent had no idea on that issue.

It was concluded that the output of the PHCN improved since commercialization took place.

### **QUESTION 4.2c**

What level of satisfaction have the masses enjoyed from the services of PHCN?

**TABLE 4.2.3** respondents' view

RESPONSE	NUMBER	PERCENTAGE (%)
Highly satisfied	45	34
Satisfied	69	52
Not satisfied	19	14
Total	133	100

Source: field survey 2012

Table 4.2.3 above show that 45 respondents were highly satisfied while 69 respondents were just satisfied. Nineteen (19) respondents were not satisfied.

Since majority was satisfied, the masses enjoyed the service of PHCN.

### **QUESTION 4.3**

What are the problems militating against government owned industries in developing economy?

**TABLE 4.3.1**

RESPONSE	NUMBER	PERCENTAGE (%)
Corruption	26	20
Inadequate skill manpower	11	8
Recruitment by patronage	6	5
All of the above	59	44
Total	133	100

Source: field survey, 2012

Table 4.3.1 above, it was shown that out of 133 respondents, in PHCN Enugu, 31 of them agreed that corruption was one of their problem, 26 respondents agreed that inadequate skill manpower was their problem, 11 respondents were of the view that lack of fund was a problem facing them, 6 respondents were of the view

that recruitment by patronage was their problem, while 59 respondents were of the opinion that all the above mentioned are the problems militating against government industries.

Therefore, we can see that there are many problems militating against them.

### **QUESTION 4.3a**

Do you think government interference affects the effective functioning of PHCN?

**TABLE 4.3.2** Respondent's view

RESPONSE	NUMBER	PERCENTAGE (%)
Yes	60	45
No	40	30
I don't know	33	25
Total	133	100

Source: field survey 2012

Table 4.3.2 shows 60 respondents who agreed to the view that government interference in the affairs of PHCN could affect its

effective functioning, 40 respondents did not agree to that, while 33 respondents had no idea.

Therefore, government interference affected the effective functioning of PHCN.

### **QUESTION 4.3b**

By privatizing and commercializing PHCN, do you think that recruitment by patronage will reduce?

**TABLE 4.3.3** Respondent's view

RESPONSE	NUMBER	PERCENTAGE (%)
Yes	86	65
No	47	35
Total	133	100

Source: field survey, 2012

From table 4.3.3 above, it showed that out of 133 respondent's, in PHCN, 86 respondents agreed that through privatization, recruitment by patronage will reduce while the other 47 respondent's did not see to it that way.

Therefore, since 86 respondents agreed, it means that recruitment by patronage can reduce by privatizing and commercializing PHCN.

## **CHAPTER FIVE**

### **SUMMARY OF FINDINGS, RECOMMENDATION AND CONCLUSION.**

In this chapter, the researcher presents the summary of her findings based on the analysis of the data collected. As a result of findings recommendations are made which invariably leads to the conclusion.

#### **5.1 FINDINGS**

The researcher, after a thorough analysis of data gathered, found out as follows.

- i. That the Nigerian government embarks on privatization and commercialization to generate profit.
- ii. That PHCN was making more profit than when it was NEPA
- iii. Through privatization and commercialization more job opportunities have been created.
- iv. That privatization has a positive impact on the economy.
- v. That, the working conditions of staff of PHCN have improved.

- vi. That the output of PHCN improved since commercialization took place.
- vii. That the masses were now satisfied with the service of PHCN.
- viii. That, there are many problems militating against privatization and commercialization which includes corruption, lack of fund, inadequate skilled manpower, recruitment by patronage etc.
- ix. That government interference affects the effective functioning of PHCN.
- x. That recruitment by patronage can be reduced by privatizing and commercializing PHCN.

## **5.2 RECOMMENDATIONS**

Based on the findings, the following recommendations have been made knowing fully well that, as privatization is in the hands of few individuals, government should ensure that before granting the license, they should examine and select the competent people who will handle the private enterprises and not people of questionable character.

That partial commercialization and privatization should be adopted in government enterprises that are involved in providing strategic service like maintenance of peace and other security and vital documents, economic regulation etc. should not be privatized. This is because of the nature of their services/products, but should be restricted and reorganized in order to make them more efficient.

In order to put a stop to the problems militating against government industries, corruption should stop among them, government should not interfere in the affairs of PHCN, capable hands should be employed to manage the PHCN, and also recruitment by merit should be applied.

### **5.3 CONCLUSIONS**

In conclusion, privatization has been seen as a means to get government interested in fostering a new division of labour between the public and private sectors in order to increase the effectiveness and contribution to development of both sectors. Therefore, the success of privatization should be judged not in terms of the sale,



the price paid to government or expansion of enterprise sold but rather, on the basis of wealth.

It is very clear that we cannot exclude economic from politics and it is well known that the basic problem facing public enterprises in Nigeria is control or management. This can be addressed through privatization in order to reduce expenditure and encourage economic recovery.

From the respondents, submission, the researcher concluded that excessive political interference in the operational matters of public sector creates negative impacts and obstacles to the operation of PHCN Enugu.

As the federal government of Nigeria (FGN) 1993 also currently observed, the primary agreement for privatization and commercialization is of course that the efficiency and profitability of the investment will improve after the exercise.

Finally, it is the work of government to restructure the economy of the country and harness the political and economic power. These exercises bring about competition from various commercialized and

privatized enterprises in Nigeria including PHCN, Enugu. Also, since these private enterprises have performed efficiently and effectively provision of electricity has been cheap and easy, job opportunities created, all adding to economic development.

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## **APPENDIX**

Department of pub admin,  
Faculty of management sc,  
Caritas University,  
Amorji – Nike,  
Enugu.

Dear respondent;

### **QUESTIONNAIRE**

I am a final year student of the above named university, I am carrying out a research project on “The effect of privatization and commercialization of government owned companies on developing economy” (A case study of PHCN, Enugu).

I will be glad if you assist me in filling the attached questionnaire and I assure you that your response will be treated in confidence and solely be used for this research.

Thanks and God bless you for your cooperation.

Yours Faithfully

Mary Thompson Okon  
Researcher

## **RESEARCH QUESTION**

**INTRODUCTION:** please tick in the boxes provided for issues which you consider appropriate.

### **SECTION A**

#### **PERSONAL DATA**

- 1) Age (a) male [ ] (b) female [ ]
- 2) Age (a) 20-30 [ ] (b) 31-40 [ ] (c) 41-60 [ ] (d) 51 and above.
- 3) Marital status (a) married [ ] (b) single [ ]
- 4) Educational qualification  
(a) FSLC [ ] (b) WASSCE/GCE/NABTEB (c) HND/B.SC  
DEGREE. (d) POST GRADUATE DEGREE.
- 5) Year of experience with the organization  
(a) 1-5yrs [ ] (b) 6-10yrs [ ] (c) 11 and above [ ]
- 6) Level of service  
(a) 1-5 [ ]  
(b) 6-10 [ ]



(c)11-15 [ ]

(d)16-20 [ ]

(e)21and above.

## **SECTION B**

### **GENERAL QUESTION**

- 1) Why did the Nigerian government embark on privatization and commercialization of their industries?
  - (a) To generate profit [   ]
  - (b) To enhance efficiency in the service delivery [   ]
  - (c) To create employment opportunities [   ]
  
- 2) Since PHCN Enugu was commercialized, has it made more profit than before?
  - (a) Yes [   ]
  - (b) No [   ]
  - (c) I don't know [   ]
  
- 3) Do you think or feel you were employed because of the privatization and commercialization process?
  - (a) Strongly agree [   ]
  - (b) Agree [   ]
  - (c) Do not agree [   ]
  - (d) No idea [   ]

4) What is the impact of privatization and commercialization of government owned industries in developing economy?

(a) Positive effect [  ]

(b) Negative effect [  ]

(c) None of the above [  ]

5) Have the working conditions of staffs of PHCN improved since NEPA was transformed to PHCN by commercialization?

(a) Yes [  ]

(b) No [  ]

(c) I don't know [  ]

6) What level of satisfaction have the masses enjoyed from the services of PHCN?

(a) Highly satisfied [  ]

(b) Satisfied [  ]

(c) Do not know [  ]

7) Has the output of PHCN improved since the commercialization?

(a) Yes [  ]

(b) No [  ]

(c) I don't know [ ]

8) What are the problems militating against government owned industries in developing economy?

(a) Corruption [ ]

(b) Inadequate skilled manpower [ ]

(c) Lack of fund [ ]

(d) Recruitment by patronage [ ]

(e) All of the above [ ]

9) Do you think government interference in the affairs of PHCN can affect its effective functioning?

(a) Yes [ ]

(b) No [ ]

(c) I don't know [ ]

10) By privatization and commercialization of PHCN, do you think that recruitment by patronage will reduce?

(a) Yes [ ]

(b) No [ ]

(c) I don't know [ ]