

CHAPTER ONE

1.1 BACKGROUND OF THE STUDY

To be able to transform into an industrialized economy an underdeveloped economy has to privately and commercially develop.

The importance of establishing public enterprises or corporations began during the 19th century with the British Telecom in 1884 under the telecommunication act and gained a worldwide support in Britain. Thereafter several nations particularly those in Africa, have come to embrace the principle as a way of eliminating low performance and inefficiency in the public sector.

Following the trend, the Nigerian economy has come to embrace privatization as a cardinal principle of the state's economic policy. Over the years, the Nigerian government has encouraged the development of the public sector since independence in 1960 and particularly 1970s but has not been successful because government owned industries and establishments remain citadels of corruption, studies in

inefficiency and consequently a heavy drain on the economy. As a means of combating this menace, the (IMF) international monetary fund and World Bank have advocated the twin policies of privatization and commercialization. Incidentally, Nigerian has fully adopted this policy and is embarking on it with freazy, for example, Nigeria Brewery change from the most inefficient and less making company before privatization to one of the most profitable businesses in Nigeria. Nigeria has more than 1,800 public enterprises at federal and state level which can be categorized as follows:

(1) Strategic industries such as petroleum and petrochemical, fertilizer plant, iron steel.

Public utility providing infrastructural services.

Economic/commercial enterprises such as manufacturing of consumer goods, insurance, bank and hatotoic .

And Department / stationary boards designed to serve specific social or development roles as university and research institutes (Ake 1981). The major purpose and reason for the introduction of the privatization and commercialization programs in the country was a result of the failure of public enterprise in

the economy the need to reduce dependency of public enterprise on government/public purse and the urge to increase efficiency in public enterprise whose inefficiency was causing the governmental considerable embarrassment are shown.

The purpose of improving national economic is to improve the quality of the life the people and not to create easy avenues for foreign exploitation. Nigeria believes fully in international trade and relations provided they make life of Nigerians better. Mainly IMF and world bank prescriptions have been fully tries Nigeria in SAP (structural adjustment program)in the last two decades but, they have made Nigeria much Poorer and miserable. No nation surrenders the bastions of its economy to foreigners without adequate control except in colonial rule. If government wants deregulation it must be in accordance with the deregulation as emaciated by the ordinary people, private sector, while the public is expected to create right environment for growth and set the policy frame works.

1.2 STATEMENT OF PROBLEM:

In a developing country like Nigeria, privatization and commercialization of public enterprise is considered by many as a vital tool for the growth and development of the

economy. In Nigeria some of the problems facing privatization and commercialization program include:

- Lack of accountability
- Corruption
- Lack of transparency
- Inconsistency

It is important to note that the major function that inform the establishment of these public enterprises are to control the resources and raise funds for the provision of certain infrastructural facilities particularly in services acquiring heavy financial investment e.g. railway, electricity, telecommunication etc, also generating revenue that will add to financial development program and projects as variable instrument for the creation of jobs, and ultimately facilitate economic growth and development.

However it is based on the problems, that the basic propositions of this privatization and commercialization program are being hindered. In trying to look into these discrepancies and proffer anyway forward towards a state of privatization and commercialization of public in Nigeria that enhance economic growth and development, this research work emanate. Before the

introduction of SAP(Structural Adjustment Program) in Nigeria Anyanwu (1993,251) reconciled that about 500 companies and parastatals in which the Federal government had invested over #36 million naira as equity and sub-ventures from which she has been realizing less than #500 million only annually. These also incurred huge debts which are rapid and serviced by government. Also government spent about 40% of its capital investment budget on public enterprise, the provision of whose goods and services were often costly, inefficient and subject political manipulation and thus federal government decided to privatize and commercialize fully some of its public enterprise. This policy however, has been characterized by several problems like corruption, transfer of assets, siphoned of public funds, political manipulations etc. Ogbonna (2004) recently the senate invited the former heads of bureau for public enterprise Matlan El-Refai, Mrs. Ireme Chibue etc. to sat about 50% of the government companied, that have been privatized failed to operate properly due to lapses in the process and to give details of hour which was generated and which account monies will paid into (Daily sun 20/06/2011;8). According to Nwosu (2007), privatization under mines growth, exacerbate perpetuates economic, social and

political injustice, between the healthy class and poor majority perpetuates foreign economic domination, jeopardizes social welfare and human conditions in the society. Therefore it is on this ground that the research focuses on the extent to which privatization and commercialization have affected the economy, examining the effects of the program on the Nigerian economy.

1.3 OBJECTIVE OF THE STUDY:

According to H.R Zayyad there are many objectives of the program privatization and commercialization:

To encourage share ownership by Nigerians in productive investment with or to owned wholly or partially by the government, and in the process to broaden the Nigeria capital market.

To re-orientate the enterprises for privatization and commercialization towards a new horizon or performance improvement, viability and overall efficiency.

To ensure positive return on public sector investments in commercialized enterprise.

To check the present absolute dependence of commercially oriented parastatals on the treasury for funding and to encourage their approach to the Nigerian capital market.

To initiate the process of the gradual cession to the private sector of such public enterprises that by the nature of their operations and other socio-economic factors is best performed by the private sector.

To create a favourable investments climate for both local and investors.

To provide institutional arrangements and operational guidelines that will ensure that by the nature of their operations and after that the gains of privatization and commercialization sustained in the future.

1.4 STATEMENT OF HYPOTHESIS:

Hypothesis is a reasonable guess or intellectual guess or suggestion based in facts and assumptions stand to be rendered valid or invalid. The following hypothesis has been drawn by the purpose of the study:

Ho: privatization and commercialization has no significant impact on the GDP in Nigeria economy.

Hi: privatization and commercialization has a significant on the GDP in Nigeria economy.

1.5 SIGNIFICANCE OF THE STUDY:

This research work will help the government and reader understand those benefits that privatization and commercialization program embodies which we have neglected and politicized within the past.

In understanding this on the side of the government, it will allow then to return and work towards real implementation of it and thereby creating a room for the rapid growth and development of this country.

On the other hand, it will go a long way to create an avenue for more academic research. The important of any research is to find out solutions that faces mankind and the environment of the society. The study creates awareness to every citizen of this country and commercialization of this privatization are

commercialization of public enterprise in Nigeria economic development.

1.6 SCOPE OF THE STUDY

The scope of this research work focused strictly on the impact of privatization and commercialization programmes on the Nigerian economy 1980 to 2010.

1.7 LIMITATION OF THE STUDY

This project will not go beyond identification of problems confronting public enterprises, the need for privatization and commercialization. This project will also suggest the form of privatization and commercialization to take future prospect of public enterprises after the system must come into operation. This project is also highlights the effects/impacts of privatization and commercialization of public business enterprises on the economy of the country.

1.8 DEFINITION OF TERMS

PRIVATIZATION AND COMMERCIALIZATION

Privatization can be defined as the transfer of ownership and control of enterprises from the state to the private sector.

This is the outright sale of public corporations to private individuals or investors. There is a transfer of ownership and control for government to the private individuals.

Privatization can be defined as any of the variety of measures adopted by the government to expose a public enterprises competition or public enterprises and according to reduces the right of public ownership or control or management (IKEME, 1997).

The privatization and commercialization not of 1988 and (B.P.E) Bureau of public enterprises defined privatization as the relinquishment of part of all of the equity and other interest had by the federal government or any of its agencies whether wholly avoid federal government.

Although privatization is not defined in the public enterprises (privatization and commercialization) not derived in the public

enterprises(privatization and commercialization) net of 1999, we can assume that of deemed to have the same meaning from the definition three things are clear first for privatization to take place, there must be the existence of public enterprises. Secondly here is the reasoning that private ownership.

Finally privatization is premised that there is problem with the public ownership of enterprises and privatization is part and parcel of the reform a gender to turn around. They are enterprises so they can deliver goods and services efficiently and effectively. As we shall show later, this is reasoning ideologically loaded and cannot be substantiated by the existential reality of Nigeria.

COMMERCIALIZATION: This is the act of making a public operation more profit oriented, as private individuals are employed into management for efficiency while the ownership and control of the company still remains with the government.

PUBLIC SECTOR: This is a sector in the economy that is dominated by the government, the private individuals and capitalists play a minor role. Here, government regulates and control the activities.

PRIVATE SECTOR: This is a sector in economy that is dominated by individuals or investors and capitalists. In this sector there is little or no government regulation of activities.

DEREGULATION: This is the act of removing restriction on the activities of a sector where governments have more control and domination over the private individuals or capitalists. Therefore, it is the removal of policy guidelines that restricts the operation. In that the government reduces its control in the sector of interest.

PUBLIC CORPORATIONS/ENTERPRISES: As defined by (Demoloun 1963) are organization that change as a result of government activity in the capacity of an or corporation built, owned and managed by the government. They are being financed by public funds especially through taxation and also operate on monopoly.

CHAPTER TWO

LITERATURE REVIEW

2.1 THEORITICAL FRAMEWORK

In understanding the concepts of the theory as a sees of inter related phenomena or variables, (ongban-Ijam,1999) sees it as a concept that is used to explain, describe, interpret and predict this phenomena. This phenomena or variables here structural functional theory is used as settable framework of analysis for the policy enterprises in Nigeria. Structural federalism as a theoretical framework is indented to explain the basis of maintaining order and stability in the society and the relevant agreement with the society.

This theory originated in the biological and medical science, it was adopted as a mode of analysis in the economics and sociology as evidence in the work of Emile Durkinhim and Taloth person. It was developed for political analysis by Gabriel Almondi S.P Verma who stressed that the structural federalism is made up of two main concepts such as structural and functions. Structure refers to the arrangement withtin the system which performs 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 Menton Robert as those observed consequences which make for the adoption or adjustments of a given system.

According to Ovan Young, function is defined as objective consequences of a pattern of actions for the system in which it occurs. The basic assumptions of the structural functional framework is that all system has structures which can be identified and these structures performs functions within the system necessary for its persistence. It refers to the structures that are found in any system and the functions performed by structures. Thus, political system is defined as the various structure and institutions in the society that perform political functions or that bears on the political decision making policies. EME-AWA (1996) clearly defined political system as “the percular structures in any particular system performing political functions”

In analysis, there are 3 branches or structures of the government such as legislative, executive and judiciary. Structures can be analysed from the three main levels as persons, institutions and subsystems. Therefore, structure of the

government and their bureaucracy makes rules, administrating, adjudicating and formulating and formulated those economics policies. Therefore, legislatures implemented those policies by the executives for the economic growth of the country. A substructure is the basis of analysis for the reaserch work. It studies the economic laws or policies governing the production and distributions of material benefits of human society at the various stages of its development.

It is by the means of productive activities that he is able to obtain the economic means that he needs to sustain life. Function have their parallel in three branches of government performing important functions. If the economic structures such as industries, Nigerian Telecommunication limited, Power Holding Company etc. which are established by the government are well organized and harmonized also their various functions are performed smoothly, there must be well stable economic development in the public enterprises.

This theory can achieve purpose for privatization and commercialization if the government makes use of it and applies into the various structures of the government or substructures to perform effective functions for smooth running of government

activities to enhance economic growth of Nigeria. Take for instance, the Telecommunication Sector and their contribution to the economic growth of the country.

In the application of the political systems are therefore prefer two basic functions such as input and output function privatization, commercialization or telecommunication of the public enterprise (input) are demand for the government. The legislature and the other organs of the government helps to process some of the demands that had reached the system in which certain functions should be performed or allocate values to the means of the “output” low of policy. Structural-functionalism according to Marxist concept of structure, superstructure.

The argument perhaps appears to be that the economic shape in the opponent and that of the individual consciousness is prisoners of material forces. Also, functions must be related to structure of the society, all other activities in the economy revolve around economics; both social and political activities are based on economic activities.

2.2 REASONS FOR THE ESTABLISHMENT OF PUBLIC ENTERPRISES

Several reasons have been induced as the justification for creating public enterprises; the following are such important ones

Political consideration that influences government involvement in the provision of certain social and economic services. In many African countries, development is closely related with the provision of social services consequently, the performance of the government in many of these countries is evaluated on the basis of its ability to provide different types of public services in the areas where such services do not exist.

The second is a contest of developing nations such as Nigeria, is the developing emphasizes in the many developing countries, the resources available to the private sector are not adequate for the provision of certain goods and services, for example, the investment required in the construction of Hydro Electricity generating plants are water scheme for large urban centre is quite enormous and the return in such investments will take a very long time to realize.

The third reason for the government involvement in the provision and management of goods and services in many parts of the world is the fact that person should facilitates because of lack of finance and by reason of the geographical location.

The fourth reason relates to the need to protect the consumer which may not be interest to the private sector, for example, the government intervenes in the provision of education in many countries to protect the children who are not capable of making education up to certain ages compulsory and free.

Another reason for the government intervention in the provision of certain goods and services relates to the indivisibility that characterize such services, some facilities such as bridges, tunnels, roads, street lights and waste disposal facilities cannot be divided or particularly provided for the benefit of everybody in community or they are not facilities of this type must therefore be provided publicity and finance through taxation.

The consciousness of the national security is another reason why government embark on public enterprises establishments. Certain facilities like the Nigerian Port Authority

and the Police are too vital to be left at the mercy of the private citizens.

2.3 RATIONALE FOR PRIVATIZATION AND COMMERCIALIZATION IN NIGERIA

In Nigeria, the issue of mismanagement and underutilization which led to huge wastage of resources and manpower potentials gave the government of the day no other option but to pursue quickly the privatization and commercialization program. There are about six hundred (600) public enterprises in Nigeria, ran by or controlled by the federal government, many are controlled by the state government. These companies take a sizable portion of the federal budget and account for over 5000 patronage. Transfers into these enterprises ran into billions on Naira. These transfers were in form of subsidized foreign exchange import duty waves, tax exemptions and/or write off of unrequited revenues, loans and guarantees and grants/subventions.

These companies were also interested with the many problems which became an unavoidable drag on the economy such as:-

Abuse of monopoly power.

Detective capital structure.

Heavy dependency on treasury funding.

Rigid bureaucratic structure and bottle neck,

Mismanagement

Corruption and nepotism.

With all these problems following the economic recession of 1980s, the government had no option but to take a positive step. Apparently, the economy can no longer sustain the level of the wastage associated with public enterprise. Also, as a stop to get out of the malaise, a solution has been found on how to reduce waste, privatization and commercialization are one of such solutions.

2.4 PRIVITIZATION AND COMMERCIALIZATION PROGRAM IN NIGERIA

Privatization in Nigeria was formally introduced by the privatization and commercialization decree of 1988 as part of the structural adjustment program (SAP) of the Ibrahim Badamusi Babangida administration (1985 -1993). As MC Grew argued that SAP is a neoliberal development strategy devised by international

financial institution to incorporate national economies into global markets.

The vision “global market civilization has been reinforced by the policies of the major institutions of the global economy namely up to the mid-90s”. Underlining the structural adjustment program has been a new liberal development strategy referred to as the Washington Consensus which prioritized the opening up of the national economy to global market forces and the requirements of limited government interventions in the management of economy. Subsided, reduction in the wage bill and the retrenchment of the public sector estensible to trim the state down to size.

2.5 TECHNICAL COMMITTEE ON PRIVATIZATION AND COMMERCIALIZATION ACT OF 1988 (TCPC)

The privatization and commercialization decree of 1988 setup by the technical committee on privatization and commercialization (TCPC) under the chairmanship of Dr. Harunna Zayyad to privatize 111 public enterprise and commercialize 34 others in 1993: the TCPC concluded its assignment and submitted its final result having privatized 88

out of the 111 enterprises listed in the decree. Based on the recommendation of the TCPC, the federal Military government promulgated the bureau for public enterprise act of 1993, which repealed the 1988 act and setup to bureau for public enterprise (BPC) to implement the privatization program in Nigeria. The overall objectives of the privatization exercises are.

To improve on the operational efficiency and reliability of our public enterprise.

To minimize their dependency on national treasure of the funding of their operations.

To roll back the frontier of the state's capital list and emphasize on private sector initiatives as the engine of growth.

To encourage share ownership by Nigerian citizens in the production investments either to be wholly or partially by the Nigerian government and in the process to broaden and deepen the Nigerian market.

2.6 BUREAU FOR PUBLIC ENTERPRISES ACT OF 1993

The TCPC transformed to the bureau of public enterprise (BPE). The bureau was to monitor the performance of enterprise privatized in the past exercise and plan for the future phases.

Because of the success of the past exercise, the military government under Gen. Abdulsalam Abubakar promulgated the public enterprise decree number 28 in early 1999 (before they handed to democratic elected government.). The decree allows PBE to alter, add, delete or amend the provision in the document in the best interest of the country. Initially, Sixty one (61) enterprises were slated for privatization (36 partial and 25 extra enterprises) (such of which were originally made for commercialization) some of the big government being privatized now includes: National Insurance Cooperation of Nigeria (NICON), Nigeria Reinsurance Cooperation, Niger Dock plc, National Aviation Handling Company (NAHCO), the Nigerian Railway Corporation (NRC), Nigerian Postal Service (NIPOS) and Savanna Sugar Company. This is an indication of the enhanced interest in and success that privatization has achieved in Nigeria.

2.7 PUBLIC ENTERPRISES, AND PRIVATIZATION COMMERCIALIZATION ACT 1999.

In December 1999, the democratically elected government of president Olusegun Obasanjo picked interest on privatization exercise and gave it a boost by establishing the national council on privatization (N C P) with the vice president Alhaji Atiku Abubakar as chairman.

The council is empowered among other things

- ❖ To determine the political economic and social objective of the privatization commercialization programme.
- ❖ Identification of enterprise to be privatized or commercialized.
- ❖ Approve guidelines and criteria for valuation of public enterprise marked out for privatization including choice of strategies investors.
- ❖ Approved the price for shares or asset of the public enterprises to be offered for sale.
- ❖ Determine the timing of privatization of particular enterprise.

- ❖ Interfering with the public enterprise, together with the supervising ministries.

2.8 POLITICS OF PRIVATIZATION IN NIGERIA

Former Nigeria president from Ibrahim Badamosi Babagida (IBB) to Goodluck Jonathan passed the ownership and control of Nigeria state owned to their friends, families, relations and themselves in the name of privatization for example, some of the celebrated Nigeria privatized public asset during Obasanjo`s regime (1999-2007) include: Ajaokuta steel mill, Oshogbo machine tool and Takpe Iron are companies. Others include: Airways, Nigeria Telecommunication company (NITEL) and its mobile phone subsidiary company MTEL, NICON, HILTON, HOTOL (Transcorp Hilton Hotel), African petroleum limited (AP), National oil and petro chemical company, National Fertilizer company (NAFCON), Cement company, oil blocks and blanks just to mention but few. The way and manner in which these assets changed hand and the selection who knows what and what price are still generating many unanswered questions and concerns in

Nigeria. Their concern and question were some of the challenges former president 'Umaru Musa Yar'Adua' confronted.

Some of the reasons why the Nigeria public is not happy with the Obasanjo privatization policy and programme are largely that they were done in bad faith and were out of tune with the principle of transparency, accountability and due process. Moreover, they widened the existing gap between the 'haves' and the 'have not'. In addition, the much taunted expected improvement of service and product delivery did not happen. The scheme created a lasting sense of injustice and nepotism in the policy furthermore; it disconditioned the anti-corruption stance of the administration. The political economy implication of the affairs are many. For example the scheme created a new set of oligarchs in the mould of transcorp and other similar outfits with concentrated economic and political power in their hands. Those concentrated economic powers in their hands. These concentrated economic power are dangerous to the sustainability of democracy institution rule of law and good governance in Nigeria. Privatization also served as a money laundering instrument to the great extent in order to realize illegally

accumulated wealth, such as income from international drug trafficking.

2.9 THE EFFECT OF PRIVATIZATION AND COMMERCIALIZATION

The issue of privatization and commercialization in the rich and multitude of deprived Nigerians. It was argued that only a privileged minority would have access to shares to be sold. The argument raised opinion (positive and negative) towards the program which have all being form of seminars, symposia, articles researches and thesis among other, even all this the pasture impact of the program cannot be ruled out. We can eloquently and consciously see it in our modern days society.

2.9.1 NEGATIVE EFFECT OF THE PROGRAMME ON THE NIGERIA ECONOMY.

It can be noted the privatization can be the right step at the time to finally liberate developing economy such as ours from show growth or situation. But the case where the program is not well followed up then some set back may be full the country. Also drawing from hiraclitusian polemics (polarity of thought) that everything that exist has opposite likewise benefits and failures.

Nigeria (Majority) believes that for the fact they pay tax.

The government owes them the duty and it is there to receive essential services from the public enterprise established with the tax payers' money. Thus, the services they receive from the enterprise is a quid-pro quo of the tax paid. In other word this bases their minds as they believe to be deprived of their right and benefits.

- The program is in no doubt by the common citizen of the country, as there is one popular outing that privatization impoverish the poor while futher enriching the rich. That is, the gap rich and the rich and the poor widens incessantly. This is so because the shares to be sold may be disposed in the hands of a privileged majority (the few rich) leaving little or nothing to the multitude of deprived Nigerias.
- In addition, the economy may be gearing towards capitalism as the major activity lies in the hands of the few rich individuals. The means of product distribution and exchange in control of the privijaged ones and thus, delicate end the economy. This could be dangerous to the economic structure as the citizen/consumers are highly exploited

sectors fall into their hand and consumers have little no alternative.

- Further more, there could be complete liquidation of the affected enterprise because poor track records, thus there assets will be sold placement to the public through public tender.
- The economic development of the country is not guaranteed, as it is one of the major economic objective of the government the reasons for the government intervention is to facilitate the achievement of their objectives. In this case, privatization could bring economic growth(increase on the quantum) of goods and services/GDP in a given period of time) but a redundant economic development (structural changes physical impartation of the growth process on the average citizens , a well developed social super structured) which is as a result of nation being in the hands of few rich Nigerian this hinders the development process in the country.
- Some government parietals'of enterprisis which has natural monopoly may begins to loose this monopoly, this is not

good because natural monopolist of the government helps to ensure equitable distribution of resources and avoidance of high level exploitation.

The adoption of privatization and commercialization programme initiated role the private sector while the primary developmental role the private sector while the primary developmental role the private sector while the public sector is expected to create the enabling environment for the growth and set the policy framework. This may not be beneficial as the economy depended primary on the private sector for development.

In as much as these economic reform policies have been a success in some western European countries where they autonomically a success in Nigeria unless fundamental uses of poverty are well addressed. According to Adenola and Afeikhena (2004) bad political leadership is the urge for privatization and commercialization was further enforced by conformity with the resurgence 'Economic Liberalization' in the development literature.

2.9.2 POSITIVE EFFECT OF THE PROGRAMME ON THE NIGERIA ECONOMY

The overall of the program of privatization and commercialization to the national economy cannot be over emphasized as it is concoupsiously seen on the sector development in the nation. According to OGWO (1991) they preferred privatization because of his dissatisfaction with performance and operations of public enterprises. They added that public enterprise has been running at a loss despite huge subsidy they enjoy from the government. His study further identify that of the three hundred(300) enterprise owned by the federal government at N23 billion in 100 parastals by 1986. However federal government's profit on its investment was about N933.7 million which amount to 2% profit is considered rather insignificant to the amount invested. He further justify th program by concluding that public companies was hallmark, identifying the causes as a result of the following :

- Lack of commitment on the part of the personnel.

- Lack of the co-operate authority with the power to hire and fire personnel.
- Lack of professionalism in the co-operate authority is existing.
- Over depending on the government treasury, subventions and findings, thereby reducing the competitive spirit of business.
- Lack of consideration by the government in the poor accountability by staffs of the enterprise.
- The tendency of Nigerians to see public property as no body's property or 'their share of the national cake'.
- Frequent changes in the board and management cadre of the enterprises.
- Under interference by the government.

In other words, the introduction of this program in Nigeria has resulted to the following as discussed below:

- i. The program has greatly minimized the scope of political patronage in the form of board appointment. Under the first

phase of the program. The federal government relinquished about 280 directorship position in the privatized enterprises.

- ii. The program privatization and commercialization has helped to demystify/strengthen the operations of the capital market by offer in shares for subscription to the public. The TCPC was able to privatize about 52 and of 111 enterprise started for privatization (full or partial) and offered some 1,486,722,063 shares to some 800,000 Nigerian shareholders from all work of the ownership of companies.
- iii. In the process of this program, government realized over N3.7billion from the privatization of 50 enterprises handled by the TCPC whose original investment to the records of (MOFI) ministry of finance incorporated was N652 million meaning that the federal government almost realized 500% capital gains.
- iv. The performance of financial companies so far has indicated considerable improvement in the volume co-operated tax accruing to the nations treasury. But if such enterprises had remained in the hands attached co-operate tax.

- v. The program of privatization and commercialization has received the federal government of what was the huge and growing burden of financing the investment needs and operating deficit of privatized public enterprise.
- vi. The privatized enterprises have been managing the resources more efficiently (minimum cost) and more effectively. They contribute to economic growth or GDP increase by enacting economic activities.
- vii. Professionalism and expertise because of their major objective of maximizing profit and minimizing cost.
- viii. The problem of favouritism nepotism and political interference falling the public enterprise is eliminated once the level of government participation is less.
- ix. The elimination of the bureaucracy and protocols in decision making will lead to speedy decision making by the board.
- x. The program has helped to reduce depending on public treasury and government for finance, and has encouraged the new investment in the enterprise concerned.

2.10 PROBLEM CHALLENGES OF PRIVATIZATION AND COMMERCIALIZATION.

According to Obadan and Ayodele (1998), Obadan (2000) Sausi (2001) in a journal by D.O Adeyome, of Adekunle Ajasun University. The relative success in the public enterprise reform has some crucial problems which are economic, political and ideological. This problem is summed up as follows:

1. SOCIO-POLITICAL AND IDEOLOGICAL:

Theoretically privatization of public enterprises (PES) has some ideological underpinning as conceptualized by the classical or neo-classical and the liberal or neo-liberal schools of thought. Privatization was seen by some as a carryover of the structural adjustment program and also seen as a caricature of the international capitalist imposition especially the world bank,IMF. The structural adjustment of the 1980's was seen as an inevitable circumstance that pervaded the world economy orders them. The socialist ideologille also sees public enterprises perform as a path towards consolidating capitalism.

2.11 UNCOOPERATIVE ATTITUDE OF SOME GOVERNMENT OFFICIALS:

Some officials were recalcitrant over the policy or privatization as this would undermine the status quo, particularly the supervising ministries. Obadan (2001) argued that the former supervising ministries mess-conceived the program as a way to reduce their power as the affected PES will be insulated from all ministerial controls and interference, and somehow silently opposed to the policy arrangements.

Similarly managers and staff of these privatized PES are against the reform as it would undermine their position. Some of these criticisms overtly or covertly may have devastating implications on the program.

- **WEAK MARKET ALTERNATIVES:**

As applicable to poor developing countries, Nigeria has less mature formal business sectors, with higher start up costs, less capacity to invest, and less exposure to competition.

- **GEO-POLITICAL AND INCOME-GROUP SPREAD:**

The enabling decree laid emphasize on equity in the spread of shareholding. But contrarily there were marked imbalances in equity shareholders distribution among income groups and the different segments of the society. Some income-groups or geopolitical entity tends to have cornered the market.

- **GOVERNMENT CAPACITY:**

Closely related to the attitude of the public officials and managers of PES over the delays in the implementation of PE reforms have to do with whether the government has the administrative and political ability to undertake its new roles. Government must have the capacity not only to make initial diagnoses and assessments to decide on policy implementation and also to administer the state's roles once PES reforms have been established.

- **POOR FUNDING OF THE NATIONAL COMMITTEE ON PRIVATIZATION AND BUREAU OF PUBLIC ENTERPRISES:**

The essential economic reform mandate of the bureau and the various NCP sector steering committees is threatened by poor funding.

2.12 THE PROSPECT OF PRIVATIZATION AND COMMERCIALIZATION ON THE NIGERIAN ECONOMY.

Many are of the opinion that the general realization of many parts of the world today is that private enterprises or entrepreneurs can manage industries, services and agencies, more efficiently and at a lower cost to the government. In such a way there will be increase in the general production of goods and services which in long-run will bring about economic growth in the economy, it is also the belief of these individuals that if most of these industries (government owned) are privatized entrepreneurs, they will surely perform wonders.

Personally, I do not agree with the views of some chronic socialist in the country, especially that of Ahike, saying “privatization is a sellout of our economy to a few people”. The

above instance is based on any understanding of the ongoing privatization and commercialization of government owned parastatals.

In addition, the federal government decision not to allow any body to own more than one percent share in any of the organization to be privatized is a welcomed one. Furthermore, privatization of government owned companies will eliminate the problem of nepotism and political interfacing the public enterprises once the government participation is less. It will have less responsibility in the board of management of these companies which will give room to persons with extensive business experiences needed to overall management to occupy the board. This will invariably lead to speedy decisions making by the board once government participating effort lies in these companies. I am also in agreement with the views by some of the contributors in respect to economic case for privatization which rest on the believed that the organization are better able to push commercial profit seeking objectives if they are free from the direct political control. Those that suggested that the return to private sector link within reduction in monopoly power will

encourage the more efficient and profitable use of sources and that is independent bodies, they are better able to raise finance.

However, I will comment that the issues relating to economic growth, employment and public expenditure or macroeconomic linkages and their impact are indirect. The nature and characteristics of these linkages and impacts are summarized on table(1) for instance, privatization can lead to a significant improvement in public finance through the elimination of unproductive subsidies and avoidable transfers to unproductive state owned enterprises(SOES), As well as the generation of program revenues. If these public incidences are more progressive, this change benefits the poor. The situation will be greatly improved if revenue generated from privatization could be used to effectively expand national production possibility frontiers.

2.2 EMPERICAL LITERATURE REVIEW

For a business to be successful it should be carried on proper form year back, there have been a lot of federal and state government parastals and enterprises established for the purpose of revenue generation, but unfortunately thing were not moving

to the direction for examples the corporation of being operated at loss simply because they were government subversion from time to time.

Introducing in the current era of capitalist harmony the term globalization has because synonymous with global dominance of private market economy through concept of internationalism have long be associated with the deeping of private market policies in existing capitalist economy and the expansion of socialist countries and the expansion of socialist countries and the developing of countries throughout the world.

The phenomenon has effected all societal institutions through government implementation of privatization policies and deregulation, through the power of global financial institution such as the world bank and the international monetary fund (IMF) to impose loan conditions that requires government to adopt policies that promotes private market, and through multilateral trade agreement that favour transnational corpations (TNCs). In their pursuit of increased capital mobility and market expression this article addresses the impact of privatization and commercialization on the Nigeria economy. Both the public and

the private non-profit enterprises have been affected by public policies.

As discussed earlier on, the program is part of the requirement of structural adjustment program (SAP) and a process where the federal government designed by wants to discharges itself from a lot of the economy than to divalge in an economy that is highly controlled.

From the insurance news volume 2, no 4 of 1989 (an insurance business and banking magazine) a topic titled why we need privatization and commercialization was published whereby the recipients of some insurance executive was highlighted.

In response to this question, C.Onyeka, in insurance news volume 2 no 4 of 1988 an executive director with the Nigerian re insurance cooperation, one the corporation fully commercialized and fully explained that the government can be channelled to other sources. It is possible that when the company are sold to private entrepreneurs, they will likely turn the country around from less making waiting the tax payers money because the receiving subventions from the government out of the precede from organization which another man has been generating

income and paying taxes for in this we see the need for commercialization and privatization

O.Omirin 1979 federal might volume no 7, the general manager /director executive of safe way insurance company limited added that as these organization were either been privatized or commercialized there would be changes for good. It will give room for better management and thus enable them to justify their existence. It is believed that new owners (the shareholders) will show more interest in running of the companies for the sake of profitability and efficiency.

In agreement with Mr onyeka view, Mr Omirin said that government moves tied up in the cooperation could be realized also for other economic boosting projects. I believe that on a final analysis, the revenue to the government could result in billions of naira. In addition Mr Lawrence Nosike in his own publication published by business times September 22nd 1986 titled case for land against privatization which way Nigeria commented that and quote“ economic case for privatization are vast on the belief that organization are better able to pursue commercial profit seeking objectives if they are freed from direct political control, it also suggests that return to private ownership and the financial

supervision of bankers will not automatically change the managerial and trade union attitude. He contributed further that two top managers can be replaced, but these cannot start a managerial resolution to quicken without upsetting efficiency. "in many nationalized industries the problem arises from special condition within the industry e.g. because of the obligation to maintain unprofitable action or because of the special demand problems. He concludes by saying that a change of ownership does not make any problem any easier to solve.

On the aspect of the reason for the inefficiency and unprofitability, M.O Aina Dada 1984, an accuracy and satiation who also is the managing director of crusaders insurance company Ltd said it has been generally agreed that state owned business enterprises tendered to wasteful and inefficient.

Some of the decision taking from the operation seems to be based on political experience rather than economics experience. For example it was revealed some time again that by the end of 1986 the federal government have invested over 10 billion naira in projects and it was general of average of about 400 million naira per annum, by calculating these fall in the area of about 15% returns on the government was yielding about 2%.

CHAPTER THREE

RESEARCH METHODOLOGY

3.1 INTRODUCTION

In this work certain methods were used, this chapter explains in details the procedure adopted in arriving at the inference of this research work. Research decision is the framework of investigating a research problem in other words it refers to the methods used in collecting data which are to be used in investigating and analysing a research problem. Data collection on its own involves a range of activities from the individuals in the library extracting information from volume of materials available as regards to this work. Taking into consideration the fact that two main forms of data collection exist (i.e. the primary and the secondary sources).

Secondary data will be used in this research work and will be obtained from the central Bank of Nigeria (CBN) statistical bulletin, the method adopted by the work is the multiple regression with OLS technique of estimation.

3.2 MODEL SPECIFICATION

In the section we pursue our objective further by specifying our model. The model is to verify the performance and effect of privatization and commercialization on Nigerian economy. The approach is to modify the model by specifying a multiple regression equation made up of Gross domestic product (GDP) as a function of the dependent variables (i.e. Domestic private investment (DPI), money supply (m_2), inflation rate (INF), foreign private investment (FPI) and privatization and commercialization (PC).

$$GDP = F(dpi, m_2, inf)$$

$$GDP = b_0 + b_1dpi + b_2m_2 + b_3inf + u \text{ (FOR MODEL 1)}$$

$$GDP = F(fpi, inf, m_2)$$

$$GDP = b_0 + b_1fpi + b_2inf + b_3m_2 + u \text{ (FOR MODEL 2)}$$

DEFINITION OF VARIABLES

GDP = Gross domestic product

INF = inflation rate

FPI = foreign private investment

DPI = domestic private investment

U = error term.

3.3 METHOD OF EVALUATION

Considering the nature of the study and the fact that privatization and commercialization are majority explanatory variable, we evaluate the effect of the variable in a question on GDP with the pre privatization and commercialization era serving as a bench mark.

Some statistical econometric test will be used to evaluate the regression. They include co efficient of multiple determinants R^2 which measures the extent to which the explanatory variables explains the variation in the dependent variable. The F statistics measure the overall significance the net a co-efficient measures the relative significant of each of the independent variable T-statistics, Durbin Watson tests for auto correlation or errors in the regression equation.

3.4 JUSTIFICATION OF THE MODEL

In this study, secondary methods of data collection were used in the collection of data. The use of secondary data was chosen for

this study because it considered being the most appropriate method for the needed information at the least amount of time. However this has been amongst other instrument of data collection for this study because of some added advantage it has other methods.

3.5 RESEARCH APPROACH

The approach used in this study is basically obtained from secondary sources. This is regarded obtained from secondary sources. This is regarded as the plan structures and strategy of investigation conceived so as to obtain answers to research problems. It ensures that the required data are collected and that they are accurate. However the secondary data used in this study was obtained from the CBN statistical bulletin.

CHAPTER FOUR

PRESENTATION AND ANALYSIS OF RESULT

4.1 PRESENTATION OF RESULT

The result of our models using the ordinary least square regression method is presented in the tabular form below;

Number of obs = 31
 F(3, 27) = 13.88
 Prob > F = 0.0000
 R-squared = 0.5267
 Root MSE = 1.6455

Table 4.1: Presentation of Result (Model 1)

| LGDP | Coefficient | Std. Error | t | P> t | [95% Conf. Interval] | |
|-------------|--------------------|-------------------|----------|-----------------|-----------------------------|-----------|
| DPI | 0.0000173 | 8.18e-06 | 2.11 | 0.044 | 4.8e-07 | 0.0000341 |
| M2 | 5.71e-07 | 1.06e-07 | 5.40 | 0.000 | 3.54e-07 | 7.88e-07 |
| INF | -0.0202889 | 0.0125203 | -1.62 | 0.117 | -0.0459784 | 0.0054006 |
| CONS | 13.133 | 0.5633991 | 23.31 | 0.000 | 11.977 | 14.289 |

Number of obs = 31
 F(3, 27) = 14.95
 Prob > F = 0.0000
 R-squared = 0.9345
 Root MSE = 1.6877

Table 4.2: Presentation of Result (Model 2)

| LGDP | Coefficient | Std. Error | t | P> t | [95% Conf. Interval] | |
|-------------|--------------------|-------------------|----------|-----------------|-----------------------------|-----------|
| FPI | 5.49e-06 | 0.0000157 | 0.35 | 0.730 | -0.0000268 | 0.0000378 |
| INF | -0.0045477 | 0.0125172 | -0.36 | 0.719 | -0.0302308 | 0.0211355 |
| M2 | 4.26e-07 | 3.01e-07 | 1.42 | 0.168 | -1.91e-07 | 1.04e-07 |
| CONS | 13.12871 | 0.5652502 | 23.23 | 0.000 | 11.96892 | 14.28851 |

4.2 INTERPRETATION OF RESULT

4.2.1 ANALYSIS OF REGRESSION COEFFICIENTS:

Model 1:

- i.** Domestic private investment (DPI) has a coefficient of 0.0000173. This implies that a unit change in DPI will bring about an increase in the gross domestic product by 0.0000173 units.
- ii.** Money supply (M2) is seen to have a coefficient of 5.71. This shows that a unit change in M2 will increase the gross domestic product by 5.71 units.
- iii.** Inflation (INF) has a coefficient of -0.0202889, which implies that a unit change in INF will result to a decrease of the gross domestic product by -0.0202889 units.
- iv.** The coefficient of the constant is 13.133, implying that when all other independent variables are held constant; the value of the dependent variable (GDP) will be 13.133.

MODEL 2:

- i. Foreign private investment (FPI) has a coefficient of 5.49. This implies that a unit change in FPI will bring about an increase in the gross domestic product by 5.49 units.
- ii. Money supply (M2) is seen to have a coefficient of 4.26. This shows that a unit change in M2 will decrease the gross domestic product by 4.26 units.
- iii. Inflation (INF) has a coefficient of -0.0045477, which implies that a unit change in INF will result to a decrease of the real gross domestic product by 0.0045477 units.
- iv. The coefficient of the constant is 13.12871, implying that when all other independent variables are held constant; the value of the dependent variable (GDP) will be 13.12871.

4.2.2 Economic Theory (A Priori Expectation)

Table 4.3: A Priori Expectation for model 1

| Variable | Expected Sign | Obtained Sign | Remark |
|----------|---------------|---------------|----------|
| DPI | + | + | Conforms |
| M2 | + | + | Conforms |
| INF | - | - | Conforms |

The above table shows that all the explanatory variables, conform to our expected economic a priori.

Table 4.4: A Priori Expectation for model 2

| Variable | Expected Sign | Obtained Sign | Remark |
|----------|---------------|---------------|----------|
| FPI | + | + | Conforms |
| M2 | + | + | Conforms |
| INF | - | - | Conforms |

The above table shows that all the explanatory variables conforms to our expected economic a priori.

4.2.3 EVALUATION BASED ON STATISTICAL CRITERIA

(i) Evaluation based on the R^2 .

From the result of our regression R^2 for both models are 0.5267 and 0.5021.

This shows that almost 52.67% and 50.21% of the changes in the dependent variables were captured by the independent variables in both models, respectively.

(ii) Evaluation based on student t-test.

In this section, the t-test is used to judge the statistical reliability of the estimates of the regression coefficients.

The hypothesis is thus stated as:

$$H_0: \beta_1 = 0$$

$$H_1: \beta_1 \neq 0$$

Where: β_1 is the coefficient of the parameter estimate

Decision rule:

Reject H_0 , if $t^* > t_{\alpha/2}$, otherwise accept i.e. if $t^* < t_{\alpha/2}$

Where $t^* =$ Computed or calculated

$t_{\alpha/2} =$ tabulated value of t

$n =$ number of observation

$k =$ number of parameter estimates

Degree of freedom (df): $n - k$

Table 4.5: t-Test for model 1

| Variables | t-cal | t-tab | Conclusion |
|-----------|-------|--------------|---------------|
| DPI | 2.11 | ± 2.0518 | Significant |
| M2 | 5.40 | ± 2.0518 | Significant |
| INF | -1.62 | ± 2.0518 | Insignificant |
| CONS | 23.31 | ± 2.0518 | Significant |

Table 4.6: t-Test for model 2

| Variables | t-cal | t-tab | Conclusion |
|-----------|-------|---------|---------------|
| FPI | 0.35 | ±2.0518 | Insignificant |
| M2 | -0.36 | ±2.0518 | Insignificant |
| INF | 1.42 | ±2.0518 | Insignificant |
| CONS | 23.23 | ±2.0518 | Significant |

(iii) Evaluation Based on F-test.

The f-test statistic is carried out to test for the overall significance of the model.

Decision Rule: Reject H_0 if (f-cal > f-tab) otherwise accept where f-tab = $F =$

$$\frac{R^2/k}{(1-R^2)/(n-k)} = (V_1/V_2)$$

Where $V_1 = K - 1$ and $V_2 = n - K$. K is the number of variables including the constant and $n =$ number of observations.

Therefore,

For model 1 and 2:

$$V_1 = K - 1 = 4 - 1 = 3$$

$$V_2 = n - k = 31 - 4 = 27$$

Table 4.7: f-Test for model 1

| F_{cal} | F_{tab} at 0.05 significant level | Decision |
|------------------------|--|---|
| 13.88 | 2.96 | Reject H ₀ and accept H ₁ |

From the result, $13.88 > 2.96$, we reject H₀ and accept H₁, concluding that the overall regression is statistically significant.

Table 4.5: f-Test for model 2

| F_{cal} | F_{tab} at 0.05 significant level | Decision |
|------------------------|--|---|
| 14.95 | 2.96 | Reject H ₀ and accept H ₁ |

From the result, $14.95 > 2.96$, we reject H₀ and accept H₁, concluding that the overall regression is statistically significant.

4.2.4 Evaluation Based on Econometric Criteria

The second order test was carried out to establish the validity of the assumption about the stochastic error terms, under this criterion, test like auto-correlation, heteroscedasticity test, normality test, and multicollinearity.

(1) Test for Auto-Correlation

The essence is to ensure that assumption number four of the OLS is not violated thus, Durbin Watson test was applied; the null hypothesis is that the error terms are auto-correlated with the first order. This is $H_0: \rho = 0$ meaning that μ 's were not auto-correlated with the 1st order scheme. This decision was made in guide from the table presented below:

Decision rule:

| Null hypothesis (H_0) | Decision | If |
|--|---------------|---------------------------------|
| No positive autocorrelation | Reject | $0 < d^* < d_L$ |
| No positive autocorrelation | No decision | $d_L \leq d^* \leq d_U$ |
| No negative correlation | Reject | $4 - d_L < d^* < 4$ |
| No negative correlation | No decision | $4 - d_U \leq d^* \leq 4 - d_L$ |
| No autocorrelation, positive or negative | Do not reject | $d_U < d^* < 4 - d_U$ |

Model 1:

$$d^* = 0.1384248$$

$$d_u = 1.29685$$

$$d_L = 1.57011$$

Model 2:

$$d^* = 0.066109$$

$$d_u = 1.29685$$

$$d_L = 1.57011$$

Since $0 < d^* < d_L$ in both models (i.e. $0 < 0.1384248 < 1.57011$ and $0 < 0.066109 < 1.57011$), therefore we conclude that there is positive serial correlation in both models and thus reject the null hypothesis.

(iv) Test for Heteroscedasticity:

This test is used for testing whether the error terms in the Regression Model have a common or constant variance. The white heteroscedasticity test (with no cross terms) is adopted for this test.

Ho: Homoscedasticity (the variance of the error term is constant).

Ho: Heteroscedasticity (the variance of the error term is not constant).

Decision Rule: Reject H_0 if X^2 -cal $>$ X^2 -tab at 5% level of significance.

Otherwise, accept.

The degree of freedom = 9

From the result,

Model 1:

X^2 -cal = 23.02 while, X^2 -tab = 16.919 under 9 degrees of freedom

Model 2:

X^2 -cal = 13.07 while, X^2 -tab = 16.919 under 9 degrees of freedom

Since $\chi^2\text{-cal} > \chi^2\text{-tab}$ in model 1 and $\chi^2\text{-cal} < \chi^2\text{-tab}$, we reject H_0 and conclude that the error term in model 1 is heteroscedastic, while in model 2 we accept H_0 and conclude that the error term is homoscedastic.

(v) **Normality Test**

This test is carried out to check whether the error terms follow a normal distribution. The normality test is used for residual test that follows the differential equation adopted and to check for its skewness.

$H_0: 0 = 0$ (the error term does not follow a normal distribution)

$H_1: 0 \neq 0$ (the error term follows a normal distribution)

If $\chi^2_{\text{cal}} > \text{it's critical value, (at 2df)}$, we reject the null hypothesis that the residual is not normally distributed.

Model 1

$\chi^2_{\text{cal}} = 12.31$ @ 2 degrees of freedom

$\chi^2_{\text{tab}} = 5.991$ under 0.05 significance level

Model 2

$\chi^2_{\text{cal}} = 17.59$ @ 2 degrees of freedom

$\chi^2_{\text{tab}} = 5.991$ under 0.05 significance level

From the above results, $\chi^2_{cal} > \chi^2_{tab}$ in both models, therefore, we accept the alternative hypothesis, concluding that the residuals in the error term (in both models) does not follow a normal distributed.

(vi) Multicollinearity Test:

The multicollinearity tests of the variables were carried out using correlation matrix. According to Barry and Feldman (1985) Criteria, “Multicollinearity is not a problem if no correlation exceeds 0.80’.

Table 4.7: Correlation matrix for model 1

| | DPI | M2 | INF |
|-----|---------|---------|-------|
| DPI | 1.000 | | |
| M2 | -0.3082 | 1.000 | |
| INF | 0.6492 | -0.2437 | 1.000 |

From the above correlation matrix table, we can conclude that multicollinearity does not exist between any pair-wise.

Table 4.8: Correlation matrix for model 2

| | FPI | INF | M2 |
|-----|---------|-------|----|
| FPI | 1.000 | | |
| INF | -0.4089 | 1.000 | |

| | | | |
|----|--------|---------|-------|
| M2 | 0.9463 | -0.3250 | 1.000 |
|----|--------|---------|-------|

From the above correlation matrix table, we can conclude that multicollinearity does not exist between any pair-wise.

4.3 HYPOTHESIS TESTING

HYPOTHESIS:

H_0 : Privatization and commercialization has no significant impact on the gross domestic product in Nigeria.

H_1 : Privatization and commercialization has a significant impact on the gross domestic product in Nigeria.

The result from various test showed that domestic private investment has a positive significant impact on the gross domestic product, while foreign private investment has a positive relationship with the gross domestic product, but it further revealed that it has no significant impact on the GDP.

Thus, we conclude that privatization and commercialization has a significant impact on the gross domestic product in Nigeria.

CHAPTER FIVE

SUMMARY, CONCLUSION, AND RECOMMENDATIONS

This last chapter presents the summary of the research findings, conclusion and recommendations.

5.1 SUMMARY OF FINDINGS

The programme of privatization and commercialization is a major opportunity for reform of Nigeria's ailing public enterprises and to prepare them to serve the needs of the Nigerian economy in the 21st century. Enterprises will be made more efficient more accountable and more responsible to the need of the client. It is meant to be serving the Nigerian public.

The results provide empirical support for the view that privatization and commercialization is associated with improved technical efficiency. It should be borne in mind, however that no assessment is made of whether the improvement in efficiency has been translated into improvement in allocative efficiency, and ultimately into improved consumer welfare. Ownership seems to be important. Indeed privatization brings with it private owners who place greater emphasis on profit goals, and also carry out new investment that lead to increased output and employment.

Nigerian public enterprises have long been criticized for their inefficiency, politicization, corruption and poor output. The case studies indicate that public enterprises in Nigeria are inefficient primarily as a result of government's deliberate policy of transferring resources to cronies and supporter and not just because managers have weak incentives. Past political and military leaders have used these enterprises to favour their supporters through excessive employment, regionally targeted investments and deliberate under pricing of production or over pricing of inputs from politically connected supplies. Reduction of politically motivated resource allocation has unquestionably been the principal benefit of privatization in Nigeria.

5.2 CONCLUSIONS

In conclusions it is my considered opinion that privatization and commercialization by themselves are not panacea for the Nigeria economy structural problems. This is because the engine of change is hardly in position to do so because it does not have the financial and human resources to meaningfully tackle privatization empirically. Both public and private sector must be restructured to complement each other over time. The privatization and commercialization of the federal and state

government companies is expected to revitalize the capital market by making available substantial volume of share for trading. The main different which is very important one is that the sale of shares now is by government to members of the public in efficiently managed companies as against the sale by the foreign multi nationals during indigenization this calls for wider scope of services by financial advisers and other advisers in ensuring that the companies are re organized and restructured prior to approaching the market. It also calls or increases flexibility on the path of security and exchange commission and the Nigerian stock exchange especially in the areas of pricing an enforcement of the listing requirements while privatization is a progressive development in a capital market which will result in better efficiency in the utilization or implementation to avoid the potential dangers of wealthy to a few privileged individuals.

Therefore let us entertain no apprehension that privatization and commercialization will undermine the public sectors role as economic Godfather. On the contrary, it is judiciously planned and continuously executed, it promises to offers a more prolific future for government, governed and the national economy at large.

5.3 RECOMMENDATIONS

For the private and foreign sector to be reassured of government good faith towards privatization and commercialization after declaration of its intention, it should go about it by gradual process and with root and branch rapidity.

The following areas would go a long way to demonstrate the validity of this intentions start with the profit making business.

- a) The government should make an open declaration that private sector autonomous investment would be assumed to establish electricity generating companies, water supply companies, telecommunication, and additional private airlines, while at the same time take steps to introduce management of corresponding public sector institutions.
- b) All loss lending industrial establishment belonging to the public sector with a view to sell them eventually.
- c) The proportion of the income used for buying shares is deducted from taxable income.
- d) The privatization business can be allowed to pay tax, free dividends to new buyers, the potential of wealth to a few privileged.

- e) The financial sector is a rough and ready candidate for initial steps in the field of privatization and commercialization. Government should sell to the local private sector 50% its existing holdings in commercial banks and insurance companies and their shares should be quoted on the stock exchange.
- f) Steps should be taken to sell out federal and state housing corporations to the private sector while government retains regulatory and monitoring authority.
- g) Lastly, there is need for adequate communication and public enlightenment. This will be a way of correcting the bad impression being conceived by the public about the programme.