AN ASSESSMENT OF COST PERFORMANCE AND ACCOUNTABILITY IN PRIVATIZED PUBLIC ENTERPRISES IN NIGERIA.

A STUDY OF OANDO (UNIPETROL) PLC IN ENUGU STATE

BY

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APPROVAL PAGE

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Dedication

This is wholeheartedly dedicated to almighty God for his guidance, protection and support throughout my academic career.

Acknowledgement

My utmost and sincere appreciation goes to God almighty for the gift of life and to the two heart secret heart of Jesus and immaculate heart of Mary for their unfailing guidance. I also sincerely wish to acknowledge the great contribution of my supervisor Mr. Diamond Obani for his marvelous and constructive effort I must admit that under his supervision I have become completely refined and prepared to take pasture academic challenges. I also want to thank my honorable head of department (HOD) Dr Frank Ovute and my wonderful lecturers in persons of Mr. Enekwe Chinedu, Professor Nwadialor, Mr. C.J Agu and Mr. James Ugwu for their contributions. I wish to recognize the support and guidance of my lovely parents in persons of Dr Abah George and Mary Queen for their marvelous support in terms of finance, parental guidance, blessing and advice to make me who I am today. Worthy of acknowledgement is the wonderful assistance and support of Brother Paul Ocheja and other members of my siblings in person of my big sister Abah Phoebe, Abah Georgina, Linda, Rosemary and Mercy. They will always be remembered particularly in the area of being patient with me throughout my studies.

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Abstract

Despite an impressive level of privatization activity across Africa and the upsurge in search of the operating performance of privatized firms in both develop and developing economies, our empirical knowledge of the privatization program in Africa is limited. The purpose of this study is to appraise the post privatization cost and operating performance as well as accountability of some privatized public enterprises in Nigeria. A survey research design was adopted for the study, sixty five internal audit and thirty five accounting. Totally one hundred was randomly sampled and stratified among the staff of Oando plc Enugu state. Three research questions and hypothesis tested at 0.05 percent level of significance guided the study. Frequencies, percentages, mean and standard deviation were employed to answer the research questions while Z-test statistics were used to test the hypothesis. It was found that privatization of unipetrol has led to efficient and improved cost performance, and proper accountability to share holders. We conclude and recommend among others that effective cost performance and proper accountability to share holders is very necessary in privatized public enterprises and that government should prive the entire necessary enabling environment for the privatized company to carry out their activities without unnecessarily increasing their cost.

CHAPTER ONE

INTRODUCTION

1.1 Background of the Study

Privatization of state-owned enterprises has become an important phenomenon in both developed and developing countries. Over the last decade, state-owned enterprises (SOEs) have been privatized at an increasing rate, particularly in developing countries (DCs). Privatization has become an important phenomenon in both developed and developing countries. Over the past decade, privatization attempts have been occurring at an increasing rate, especially in developing countries. The compound annual average growth rate was around 10% between 1990 and 2000, with global privatization revenues jumping from $25 billion in 1990 to $200 billion in 2000. The number of countries that have implemented privatization policies has exceeded 110, not to mention that privatization has touched almost every aspect of economic activity (Shadeh, 2002).

Privatization of state-owned enterprises (SOEs) has become a key component of the structural reform process and globalization strategy in many economies. Several developing and transition economies have embarked on extensive privatization programmes in the last one and a half decades or so, as a means of fostering economic growth, attaining macroeconomic stability, and reducing public sector borrowing requirements arising from corruption, subsidies and subventions to unprofitable SOEs. By the end of 1996, all but five countries in Africa had divested some public enterprises within the framework of macroeconomic reform and liberalization (White and Bhatia, 1998). In line with the trend worldwide, the spate of empirical works on privatization has also increased, albeit with a microeconomic orientation that emphasizes efficiency gains (La Porta and López-de-Silanes, (1997); Boubakri and Cosset, (2001); Dewenter and Malatesta, (2001) D'Souza and Megginson, (2007). Yet, despite the upsurge in research, our empirical knowledge of the privatization programme in Africa is limited. Aside from theoretical predictions, not much is known about the process and outcome of privatization exercises in Africa in spite of the impressive level of activism in its implementation.

Current research is yet to provide useful insights into the peculiar circumstances of Africa, such as the presence of embryonic financial markets and weak regulatory institution efforts. Most objective observers agree, however, that the high expectations of the 1980s about the "magical power" of privatization bailing Africa out of its quagmire remain unrealized (Adam et al., (1992); World Bank,(1995); Ariyo and Jerome, (1999); Jerome, (2005).

As in most developing countries, Nigeria until recently witnessed the growing involvement of the state in economic activities. The expansion of SOEs into diverse economic activities was viewed as an important strategy for fostering rapid economic growth and development. This view was reinforced by massive foreign exchange earnings from crude oil, which fuelled unbridled Federal Government of Nigeria (FGN) investment in public enterprises. Unfortunately, most of the enterprises were poorly conceived and economically inefficient. They accumulated huge financial losses and absorbed a disproportionate share of domestic credit. By l985, they had become an unsustainable burden on the budget. With the adoption of the structural adjustment programme (SAP) in 1986, privatization of public enterprises came to the forefront as a major component of Nigeria's economic reform process at the behest of the World Bank and other international organizations.

Consequently, a Technical Committee on Privatization and Commercialization (TCPC) was set up in 1988 to oversee the programme. In the course of its operations, the TCPC privatized 55 enterprises. Sufficient time has elapsed since the start of reforms to allow an initial assessment of the extent to which privatization has realized its intended economic and financial benefits, especially with the commencement of the second phase of the programme. This is particularly important in view of the lessons of experience revealing interesting features that may alter earlier notions as to the most appropriate way to implement privatization programmes (Nellis, 1999). Concerns about globalization, in some transition economies (notably the former Soviet Union and Czech Republic) and disappointment with infrastructure privatization in developing countries are spawning new critiques of privatization (Shirley and Walsh, 2000). Among the pertinent issues to be addressed are: What is the extent and pattern of cost performance and accountability of privatized firm? What have been the results of these performance? Has privatization improved the cost and accountability of firm? Finally, what policy lessons are to be learned from the privatization experience so far? These are the issues that come into focus in the study.

1.2 Statement of Problem

The issue of cost performance and accountability of privatized public enterprise have been a serious subject of the debate and different interest group that is the "stakeholders". The post privatization effect this enterprise have been the subject of public scrutiny and criticism by the public and others alike. Majority are of the view that their performance is not different from the way it was when they were under public enterprise.

In response to this in recent national assembly committee, that was set up to look into this enterprise partially supported public concern on their performance. It is against these background that this research is carried out to determine or find out if these view are true as the research is intended to look at this research is intended to look at this privatized firms cost performance and accountability.

Public enterprise before their recent privatization where perceived to be bedeviled by numerous challenges ranging from political interference, inefficiency in the management of resources, conflict of objectives, overdependence on subvention for survival etc. these over the years have been the main source of criticism of public enterprises and the reason why they are poorly managed . is this issue the same after the privatization o these enterprises? This study is intended to establish it.

1.3 Research question:

Based on the problem statement and the objective of the study stated above the study will answer the following questions;

i) Has privatization improved the cost performance and accountability of this firm as anticipated?

ii) To what extent are privatized firms accountable to shareholders and other relevant stake holders?

iii) To what level has there been effective checks and balances in privatized enterprises in Nigeria.

1.4 Objectives of the Study.

The overriding objective of this study is to evaluate the second wave of the Nigerian privatization programme spanning 2008-2012. The specific objectives are as follows:

(i) To examine whether privatization has improved the cost performance and accountability of privatized firm.

(ii) To assess the extent to which privatized firms are accountable to shareholders and other relevant stakeholders.

(iii) To determine if there are effective checks and balances in privatized enterprises in Nigeria.

1.5 Statement of Hypothesis

Ho: Privatization has not led to efficient and improved cost Performance.

Hi: Privatization has led to efficient and improved cost Performance.

Ho: There have been no effective accountability to share holders and other relevant stake holders.

HI: There have been effective accountability to shareholders and other relevant stakeholders.

Ho: privatization has not led to effective checks and balances in privatized enterprises in Nigeria.

Hi: privatization has led to effective checks and balances in privatized enterprises in Nigeria.

1.6 Significance of the study

Giving the substantial number of enterprises that are yet to be privatized, the study would provide insights into the desirability, feasibility and sustainability of future reforms. It is envisaged that the policy recommendations from the study would assist the National Council on Privatization in correcting the pitfalls embedded in the previous endeavor.

The study will assist students and fellow researchers generate information on cost performance and accountability of firm particularly if it is relevant to their studies.

In the overall, it is envisaged that the outcome of the study will assist international, multilateral and donor agencies to identify the felt needs, thereby facilitating the design of demand-driven policies and programmes to ensure the success of privatization in Nigeria in particular and sub-Saharan Africa in general.

1.7 Scope of the study

The scope of the study has been narrowed in order to look at the impact of cost performance and accountability in the petroleum industry, particularly in UNIPETROL (now called OANDO plc after privatization). The study will cover a period of five(5) years ranging from (2008-2012).

1.8 Limitation of study

Like many other research study, this research is confronted with the following limitations:

1. Finance - The cost of running any research project is quite expensive. It ranges from producing questionnaires to be distributed to respondents, the cost of transporting to the areas where information concerning the project is to be obtained etc, and this research is not an exception.

2. Time- The time required to complete a research project is often limited judging from the information required to complete a comprehensive research work. This research is also affected by time.

3. Problem of confidentiality- The challenge of getting respondents to fill the necessary research questionnaires is tasking despite the confidence giving to keep all information obtained from them in utmost confidence.

1.9Definition of key Terms.

A. **Accountability:** It is rendering stewardship. It is also the act of being able to

Shoulder responsibilities and carry the correlative burden of performance.

In other words it means answerability, blameworthiness, liability and the

Expectation of account-giving.

B. **Asset sale:** is the transfer of ownership of government assets, commercial-type enterprises, or functions to the private sector. In general, the government has no role in the financial support, management, or oversight of a sold asset. However, if the asset is sold to a company in an industry with monopolistic characteristics, the government may regulate certain aspects of the business, such as utility rates.

C. **Competition:** occurs when two or more parties independently attempt to secure the business of a customer by offering the most favorable terms or highest quality service or product. Competition in relation to government activities is usually categorized in three ways: (1) public versus private, in which private-sector to conduct public business; (2) public versus public, in which public-sector organizations compete among themselves to conduct public-sector business; and (3) private versus private, in which private-sector organizations compete among themselves to conduct public-sector business.

D. **Cost:** this is the sacrifice rendered for benefit derived. It is seen in terms of opportunity cost that is the one associated with alternative forgone.

E. **Divestiture:** involves the sale of government-owned assets. After divestiture, the government generally has no role in the financial support, management, regulation, or oversight of the divested activity

F. **Privatization**: privatization implies permanent transfer of control, as a consequence of transfer of ownership of right, from the public to the private sector. This definition is perhaps the most common usage of the term.

G. **Public enterprise**: any corporation or parastatal established by or any enactment in which the government of the federation or it agencies has ownership or equity interest.

H. **Public sector**: that portion of an economy whose activities (economic or non economic) are under the control and direction of the state.

CHAPTER TWO

LITERATURE REVIEW

2.1 Introduction

Privatization and public sector reform marks what has been termed as "second generation" adjustment policies, an attempt at distinguishing them from "'first generation" policies, which focused almost exclusively on economic stabilization. It could be considered as a program of transition from a planned economy to a market-based economy and has been implemented in the developed, less developed and emerging economies. The degree of implementation for each country could be different, however, the objectives are very much similar one of which is to improve the lackluster and unsatisfactory performance of state-owned enterprises. This chapter aims to review the phenomenon of privatization.

2.2 The Nature and Concept of Public Enterprise

Public enterprises have numerous definitions and there is no single generally acceptable definition of the concept. Sosna (1983) opined that there are many reasons why in developed capitalist countries, there is no single standard definition of public enterprises. Public enterprises were established at different periods, and each epoch naturally brought forth the types of public enterprises most clearly matching its own conditions.

It is therefore believed that the variation in definition are informed by the

ideological, values, interests, dispositions and circumstances that brought public

enterprises into existence. Whatever the controversy and the lack of uniformity might conjure up, we would however review the viewpoint of some scholars of public enterprises. For instance, Efange (1987) define public enterprises or parastatal as institutions or organizations which are owned by the state or in which the state holds a majority interest, whose activities are of a business in nature and which provide services or produce goods and have their own distinct management.

Obadan (2000), Obadan & Ayodele (1998) defined public enterprises as organizations whose primary functions is the production and sale of goods and/or services and in which government or other government controlled agencies have no ownership stake that is sufficient to ensure their control over the enterprises regardless of how actively that control is exercised.

The basic reason for establishing public enterprises in all economies has been to propel development. In the opinion of Obadan (2003), the case for public ownership has often been made on many grounds among which are: the persistence of monopoly power in many sectors (meaning that certain market have the tendency to move towards monopoly power, especially when technological factors); freedom of government to pursue objectives relating to social equity which the competitive market would ignore, like employment and easy access to essential goods and services; capital formation particularly at early stages to develop Investment in infrastructure; lack of private incentives to engage in prospective economic ventures; certain goods that are of high social benefits are usually provided free or at a price below their cost and the private sector has no incentives to produce such goods hence the government must be responsible for their provision; the desire for the government to achieve redistribution by locating enterprises in certain sectors (areas) especially where private initiatives are low; and ideological motivation and the desire of some governments to gain national control over strategic sectors or over multi-national corporations whose interests may not coincide with those of the African countries or over key sectors for planning purposes.

Other factors that accelerated the growth of Nigeria's public sector was the indigenization policy of 1972 as enacted by the (Nigerian Enterprises Promotion Decree). It was designed to control the commanding heights of the economy. The policy further provided the much needed legal basis for extensive government participation in the ownership and control of significant sectors of the economy. It also reinforced the increasing dominant of the public sector in the economy.

In spite of the impetus given to public enterprises especially in Nigeria some criticisms are leveled against them. Their problems are so enormous that even left the Nigerian public in a state of great disillusionment. These criticisms vary from lack of profitability and reliance on large government subsidies. Ogundipe (2002) once argued that between 1975 to 1999, government capital investments in public enterprises totaled about 43 billion Naira. In addition to equity investments, government gave subsidies of N11.5 billion to various state enterprises. All these expenditures contributed in no small measure to increased government expenditures and deficits.

Similarly, public enterprises suffer from gross mismanagement and consequently resulted to inefficiency in the use productive capital, corruption and nepotism, which in turn weaken the ability of government to carry out its functions efficiently (World Bank, 1991). There are avalanche of literatures that point to the problems of public enterprises especially in Nigeria. They include, , Sanusi (2001), Obadan (2003), Jerome (2005). All these scholars have developed growing interest on the conception and functions of public enterprises and of the need for their reform

2.3 Performance of public enterprises in Nigeria.

Despite the fact that there are glaring objectives for setting these enterprise in Nigeria, the court of public opinion do not favor their performance as most of them are performing at a very minimal level of efficiency. Despite the huge sums of money pumped into the establishment, the dreams of the government and members of the public over these enterprises are yet to be realized. It is the general belief of most

Nigerians that SOEs are inefficient. The performance of most public utilities provides adequate testimony for this inefficiency. Perhaps this informed Laleye (op cit), who asserted that reports of investigatory panels set up by government on all the parastatals testified to the fact that inefficiency has reached scandalous proportions. The huge national investments on the SOEs justify the general outcry about inefficiency. Unfortunately, this manifests itself in Nigeria's moribund educational system, inability to supply portable water and epileptic supply of electricity, and petroleum product with its chaotic attendant long queue in Nigerian petrol filling stations. In the words of Akinkugbe (1996), the hospitals have become mere consulting clinics with no drugs and dressings. All these inadequacies make organizational goals to suffer and heap serious problems in the society.

The efficient performance of most of these public enterprises in Nigeria business environment are painted beautifully on the pages of newspapers, television screen, radio jingles and indeed captures attention on the bill boards along major highways, but in reality their performance records are subject of embarrassment to the taxpayers. However, in the assessment of the performance of public enterprise, we are likely to be confronted with one question; How do we assess the performance of public enterprises in Nigeria? There is usually a problem in trying to assess the performance of public enterprises. The problem arises from the fact that unlike private enterprises that are set up with economic objective, public enterprises may be set up with social consideration. Despite these glaring difficulties, assessment of public enterprises will be done using some of these enterprises as microcosm.

A publication of the Federal Republic of Nigeria (2005), painted a picture of indisputable failure of public enterprises in Nigeria. The publication explained that, at the inception of the 4th republic in 1999, the federal government owned a total of 590 public enterprises. The government controlled most of the petroleum, development banking, telecommunication (fixed line), power and steels sectors of the economy .It is instructive to note that over one third of the money the country realized from the sale of oil since 1973 has been expended on public enterprises .It was estimated that the federal governments investments in public enterprises stood at over $100 billion (dollars) in 1996. It was also estimated that about 55% of Nigeria external debts with the Paris club of creditors were due to funds sourced to establish these public enterprises. However, the return on those investments averaged less than 2 percent per annum. The publication further explained that the inefficiency of these public enterprises is more glaring in terms of the quality of service rendered when measured against the funds they draw directly or indirectly from the public treasury. It is estimated that about $4 billion (dollars) was saved in 2004 alone in terms of funds which would have been drawn by the already privatized enterprises, if they were still unprivatized. Since 1999, the defunct National Electric Power Authority (NEPA) now Power Holding Company of Nigeria (PHCN) has collected $10.6 billion (dollars) from the national treasury to improve its services but power supply had continued to be epileptic. It is conservatively estimated that the nation may have lost over $800 million (dollars) due to unreliable power supply by the defunct NEPA but now PHCN.

The Nigeria Telecommunication Limited attracted operating subsidies of at least #50 billion between 1975 and 1999 to provide Nigerians with the world most expensive phone network and a paltry

400,000 lines, considered to be the lowest telephone density rates in the world. In sharp contrast, within seven years of the liberalization of the telecommunication sector, (MTN, GLO, CELTEL (now ZAIN), ETISALAT, VISAPHONE, etc) have between them over 80million lines to Nigeria phone network, without drawing a kobo from the public treasury. Instead, they have contributed over $100 billion (dollars) in license fees, levies and taxes (FRN, 2005).

Another indisputable picture of absolute failure was the national air carrier, the defunct Nigeria Airways. As at 1979 when the military Administration of General Olusegun Obasanjo handed over power to the civilian Administration of President Shehu Shagari, the Nigeria Airways has 32 Aircraft in its fleet. Twenty years later, in 1999 when Obasanjo`s administration took office, the sad story was that there was only one flying aircraft in the Nigeria Airways fleet. In effect, the 2500 staff of these enterprises was being paid to service only one aircraft (FRN, 2005).

The state of incompetence, inefficiency and absolute lack of performance of public enterprises in Nigeria was painted more vividly in the worse situation of the defunct Nigeria National Shipping Line (NNSL).As at

1979, the NNSL owned twenty –four vessels, out of this number, and nineteen were new vessel. By 1999, the entire vessel was all gone except one. Nothing shows the lack of transparency in the running of the organization than the case of the MV Trainer (one of the vessel), which was sold by the Nigerian Unity Line (NUL), the successor of NNSL for $500,000 (dollars), but was bought back by the parastatal after two years for $2.5 million (dollars) without any renovation done and value added to it. Eventually the corporation had to expend the sum of $1.5 million (dollars) to refit the vessels. In May/June 1999, the vessel on its first voyage was arrested in Spain for not being seaworthy. Indeed by 1999, virtually the only value the National Unity Line has was its natural carrier status with only one vessel which is functional. In order to pave way for the privatization of the enterprise, the Bureau of Public Enterprises (BPE) sold on a competitive price, the NUL`s one remaining vessel, the MV Trainer, in 2003 for $3,475,991.30.The proceed was utilized in settling all local and foreign debts as well as paying three years arrears of salaries and terminal benefits to free it from encumbrances. The Federal Government has finally divested its 100% equity stake in NUL in December 2005 through the sale to a core investor, Sea force Shipping Company Limited, at a total bid price of $20million (FRN, 2005).

The status of the Nigeria Railway Corporation was summarized thus: in transfer, subsidies and waivers, which could have been better invested in the country`s educational health and other social sectors .There are virtually no public enterprises in Nigeria today that function well before the era of privatization.

"While they were created;

"The *corporation had a monthly pension bill of #250 million and paid Monthly staff salary of #200 million including #27 million which was Expended on the Railway Hospital alone, although it generated only #30 million a month. This no doubt, made the privatization of the Corporation inevitable so that the funds which were being pumped to pay for services not rendered could be ploughed into other areas of the Nations need" (FRN,2005).*

Data obtained from various Government Departments revealed that in 1998, Nigeria Public Enterprises enjoyed about #256 billion in transfers, subsidies and waivers, which could have been better invested in the country`s educational, health and other social sectors. There are virtually no public enterprises in Nigeria today that function well before the era of privatization. While they were created to alleviate the problem of inadequacy of the investment funds for starting them and shortcomings of the private sector in order to accelerate the growth of the Nigeria economy, many of them have stifled entrepreneurial development and fostered economic stagnation. Public enterprises have served as platforms for the promotion of selfish political objectives and consequently suffered from operational interference by civil servants and political appointees. They have contributed to income redistribution in favor of the rich over the poor, who generally lacked the connections to obtain the jobs or contracts and the goods and services of the public enterprises. These are defects or abuses which the reform was anchored to correct.

2.4 Problem of Public Enterprises in Nigeria

The problems of public enterprises in Nigeria are many and varied. Different scholars have tried to identify these problems from different perspectives.. But a more encompassing problem of public enterprises in Nigeria is well articulated by Obikeze and Obi (2003) as follows;

(a) ***Incompetent Management and Board****:* It is the duty of management of every organization to move it towards the realization of organizational objectives. It is therefore expected that the management would have the technical or managerial competence which will assist in this regard. However, in most Nigeria public enterprises, the appointment of the management team are not base on skills, knowledge and experience .It is usually base on political patronage or other primordial consideration. The effect of this is that most often square pegs are place in round holes resulting in lack of direction, vision and mission of these enterprises. The appointment of Board of public enterprises is even worse. While the management may possess limited skills, the Board in most cases does not possess any requisite skills. In fact, the major qualification for the appointment of Board of government parastatal are; failed political aspirants of the ruling party, party barons, party financiers/contractor barons and election riggers. Apparently lacking in the knowledge of management principles, the various Board have been unable to give the desired direction to those public enterprises. The end result has been the gross inefficiency of most public enterprises in

Nigeria.

(b) ***Government interference***: One of the main reasons for the creation of public enterprises is to free them from the- day-to-day bureaucratic bottlenecks of the government. However in actual practice, most political office holders have seen this public enterprises as being directly under them, consequently they interfere in their affairs. This interference are exhibited by the minister/commissioners, Legislative committees, federal/state executive councils, the vice president/deputy governor, president/governor with his executive fiat. This incessant interference leads to distortion of policies, bureaucratic redtapism and erodes the limited autonomy which these public enterprises are supposed to enjoy thereby resulting in inefficiency which defeats the essence of their creation.

(c) ***Conflict of objective***: Public enterprises are established as business organizations that provide essential services. The twin objective of providing essential services as a public utility and making profit as a business outfit are simply contradictory. This contradiction has been at the root of non performance of public enterprises all over the world and Nigeria inclusive. In the case of Nigeria, political office holders who will want these public enterprises to perform well would still want to use them to generate high political goodwill at the expense of economic rationality. Telling PHCN to extend electricity to remote areas where people cannot pay their bills and still expect PHCN to cover cost is not possible, Housing government officials in government owned hotels for months without paying the bills and still expecting the hotels to make profit does not seem feasible, Locating public enterprises with political consideration and making such considerations pivotal to their operations will definitely not help them achieve their economic objectives.

(d)***Monopoly***: Most public enterprises operate as monopolies before the era of privatization in Nigeria. It is therefore not surprising that they are face with the same problems which affects monopolies. The main problems of monopolies arise from the fact that since they do not have competitors, they are often not in a hurry to either innovate or offer better services since they are aware that their customers/ clients have no other alternative. In Nigeria, PHCN has continued to attract high patronage despite its trademark of epileptic services simply because Nigeria has no alternative. Naturally when you are sure that your customers will always be there for you despite the way you treat them, there is this natural tendency to be impervious to their feelings. This has remained a fact that is general to most public enterprises in Nigeria.

(e)***Unstable management board***: Closely related to the problem of incompetent management and board is the issue of unstable management and board of public enterprises in Nigeria. One of the major political problems that have bedeviled the nation is the problem of political instability. Since independence in 1960, the country has been ruled by seven military rulers and has a high numbers of military coup. As expected, every new administration, be it military or civilian, usually dissolves all board of public enterprises. Whenever these boards are dissolved, some top management staff are usually relief of their appointment and a new set will be appointed. In most cases, before board and management formulate and implement their policies mid-way, the government that appointed them will be swept away. The new government dissolves the board and appoints a new one which in most cases will discard the policies of the old board and management. This has remained a cyclical process that has scuttled any meaningful growth or improvement of public enterprises in Nigeria.

(f)***The problem of federal character principle***: There is no gainsaying the fact that for any organization to achieve its objectives it must have people with proven competence. It was on the realization of the need for competence in organization that Max Weber (the greatest exponent of bureaucracy) states that “candidates for positions in organization must be selected on the basis of technical qualification”. However, in the case of Nigeria public enterprises, recruitment and selection are based on emotive, primordial and purely sentimental reasoning. The principle of federal character has compounded the problem since it has legalized nepotism and segregation in employment in the form of ethnic balancing. Resulting from this shoddy recruitment criteria, is gross inefficiency in their operations. Apparently since nobody can give what he does not have, it is therefore not surprising that the staff of Nigeria public enterprises have not been able to deliver over the year

2.5 Public Enterprises Privatization in Nigeria

In spite of its diminishing size and importance due to privatization, Nigeria's public enterprise sector is one of the largest in sub-Saharan Africa in terms of both scale and scope as reflected in the absolute numbers of enterprises and the contribution to the gross domestic product. Since the colonial era, public enterprises have assumed increasingly diverse and strategic development roles in the Nigerian economy. And this was accentuated during the oil boom of the 1970s and 1980s, when successive military regimes, buoyed by economic nationalism and massive oil windfalls, developed a large public enterprise sector encompassing a broad spectrum of economic activities. These covered large basic industries (manufacturing, agriculture, services, public utilities and infrastructure). They included telecommunications, power, steel, petrochemicals, fertilizer, vehicle assembly, banks, insurance and hotels (Jerome 2003).

Prior to the privatization wave, there were about 600 public enterprises (PEs) at the federal level and about 900 smaller PEs at the state and local levels. Shares of employment, value added and gross fixed capital formation of public enterprises generally exceeded those of other African countries. The estimated 1,500 enterprises accounted for about 57% of aggregate fixed capital investment and about 66% of formal sector employment by 1997 as indicated in Table 1. It is estimated that successive Nigerian governments invested about 800 billion naira (approximately US$90 billion equivalent) in the PE sector over two decades, which remains currently one of the largest in Africa.

Table 1: Share of public enterprises (PEs) in the development indicators of selected African countries by 1997.

Country	**Number of PEs**			
Nigeria	**600**	**50%**	**57%**	**66%**
Côte d'Ivoire	**150**	**n/a**	**18%**	**n/a**
Ghana	**181**	**n/a**	**25%**	**55%**
Kenya	**175**	**n/a**	**21%**	**9%**
Tanzania	**420**	**13%**	**26%**	**n/a**
Burkina Faso	**44**	**5%**	**20%**	**n/a**
Senegal	**50**	**9%**	**33%**	**n/a**

= Formal sector only n/a = Not available

Source: Obadan and Ayodele (2005).

Public enterprise deficits have been a major source of fiscal problems and a drag on growth (World Bank, 2002). In the wake of the economic recession that began in 1981 following the collapse of oil prices, the activities of public enterprises attracted more attention and underwent closer scrutiny, much of it centering on their poor performance and the burden they impose on government finance. The poor financial returns from these enterprises, against the background of severe macroeconomic imbalance and public sector crisis, precipitated the concern of government towards privatization (Obadan 2001). In fact, by 1984 the World Bank and International Monetary Fund (IMF) were increasingly advocating for privatization as a policy tool in Nigeria (IMF 2007). The privatization programme was subsequently adopted as part of the structural adjustment programme embarked on in July 1986 by Ibrahim Babangida, who assumed power in 1985 in a bloodless military coup. On assuming power, Babangida made clear his resolve to scrap the moribund economic policies of his predecessor and resumed negotiations with the IMF.

Cognizant of the hostility surrounding the negotiations, he initiated a three-month national debate on acceptance of the IMF loan and its attendant conditionality’s. Then, following widespread support for a rejection of the loan, Babangida launched an economic reform programme dubbed "the structural adjustment programme" (SAP) in July 1986 as an alternative to the IMF stabilization programme. The programme in its entirety met and even in some cases surpassed IMF stipulations. In his 1986 New Year budget speech, Babangida announced a halving of statutory allocations to all economic and quasi-economic parastatals and the intention of government to divest its holdings in a number of non-strategic enterprises. Between 1986 and 1998, the regime impetuously liquidated agricultural commodity boards and the Nigerian National Supply Company (NNSC), and divested various units of the Nigerian Livestock Production Company and a commercial agricultural concern with various assets in the North.

However, this was not backed by policy or institutional framework for implementation. The first genuine effort in the implementation of the programme was the inauguration of study groups to review and classify all public enterprises in Nigeria under the guidance of the World Bank (World Bank, 2002). The Babangida regime in July 1988 subsequently promulgated Decree No. 25 on privatization and commercialization after about two years of dilly-dallying. The decree gave legal backing to and formally initiated Nigeria's privatization and commercialization programme, thus marking the first comprehensive approach to divestiture, embodying an institutional focus and a clearer programme. The decree listed 145 enterprises to be affected by the exercise. A total of 111 enterprises were slated for full and partial privatization, while 35 others were to be commercialized. The list was later amended in order to convert five enterprises from partial privatization to full commercialization; those five were:

a) Nigerian Industrial Development Bank Limited;
b) Nigerian Bank for Commerce and Industry Limited;
c) Federal Mortgage Bank Limited;
d) Federal Super Phosphate Fertilizer Company Limited; and
e) National Fertilizer Company of Nigeria.

a. According to the decree the programme is expected to:

I. Restructure and rationalize the public sector in order to lessen the preponderance of unproductive investments;
II. Reorient the enterprises towards a new horizon of performance improvement, viability and overall efficiency;
III. Ensure positive returns on investments in commercialized public enterprises;

IV. Check absolute dependence of commercially-oriented parastatals on the treasury and encourage their patronage of the capital market; and

V. Initiate the process of gradual cessation of public enterprises that can be best managed by the private sector.

In conformity with the provisions of the decree, an 11-person Technical Committee on Privatization and Commercialization (TCPC) was inaugurated on 27 August 1988 with a broad mandate to coordinate the rehabilitation of government enterprises and oversee Nigeria's privatization programme. The actual divestiture commenced in the early months of 1989 with the shares of four firms (Flour Mills of Nigeria, African Petroleum, National Oil and Chemical Company, and United Nigeria Insurance Company) being issued in the market. The shares were successfully sold with each issue reportedly oversubscribed. From 1988 to 1993 when the privatization process was suspended, 55 firms had been privatized by the TCPC. In the course of its operation, the TCPC adopted five methods of privatization:

- ***Public offer of equity shares for sale***
- ***Private placement of equity shares***

• Sale of assets: • Management buy-outs:

• Deferred public offer

Five enterprises had earlier been converted from privatization to commercialization, while for 18 others it was decided that no further action was required for various reasons ranging from duplication in the provisions of the decree to non-readiness for the exercise (TCPC, 1993). The 22 enterprises left to be privatized were said to be under active preparation for the exercise. The predominance of public offer was to ensure wider share ownership and the desire to extend the frontiers and depth of the Nigerian capital market. In all, the TCPC sold about 1.5 million shares, 4 resulting in the creation of over 800,000 new shareholders. Market capitalization of the Nigerian Stock Exchange increased from N8 billion to over N30 billion by September 1992. The privatization programme yielded gross revenue of about N3.7 billion from the 55 enterprises privatized by the TCPC. The original investment in these enterprises according to MOFI records was N652 million, indicating a capital gain of N3.1 billion or nearly 600%. The government also relinquished about 270 directorship positions in these companies, reducing the scope for wasteful political patronage.

The government promulgated Decree No. 78 of 1993, establishing the Bureau for Public Enterprises (BPE), which replaced the TCPC although the bureau did not affect the privatization of any enterprise.

Government subsequently opted for a new scheme of contract management and/or leasing of public enterprises to private concerns in 1995 but the proposal was criticized by foreign creditor institutions as being a poor substitute for outright privatization. Thus, it was never implemented. Towards the end of 1998, General Abdusalam Abubakar, who came to power in June following the death of his predecessor, General Sani Abacha, reaffirmed his commitment to the privatization programme and launched the current (second-round) privatization drive that promises to be one of the biggest in Africa. Resumption of the privatization programme has been one of the pre-conditions set by the IMF for renegotiating an interim programme that would pave way for a medium-term economic strategy agreement for Nigeria (Omoleye, 2008).

In his national broadcast of October 1998, General Abubakar announced that his government would privatize refineries, petrochemical and bitumen production, and tourism in addition to the spillovers from the first-round privatization. The legal framework of the second privatization programme was put in place with the promulgation of the Public Enterprises (Privatization and Commercialization) Decree No. 28 of 1999. This decree provides for a reorganized institutional framework that included the establishment of the Bureau of Public Enterprises as the main organ for the execution of the privatization and commercialization programme, full privatization of 25 public enterprises in oil, cement, banking, agro-allied, motor vehicle assembly and hotel businesses, and partial privatization of 37 enterprises in sectors ranging from telecommunications to sugar companies. However, the responsibility for implementing the programme was left to the incoming civilian administration.

On assuming office in June 1999, the Obasanjo administration signaled its strong commitment to privatization of state-owned enterprises as a critical element of its strategy for economic recovery and accelerated growth. Under the 1999 Privatization and Commercialization Act, the federal government established the National Council on Privatization (NCP) to oversee the privatization programme. The Act made the Bureau of Public

Enterprises (BPE) the implementing agency and secretariat of NCP. The NCP is chaired by the Vice President of the Federal Republic of Nigeria. Its members include all Cabinet ministers and top government officials with overall economic policy functions. These include the Minister of Finance, the Chief Economic Adviser and Minister of Planning, and the Governor of the Central Bank. The NCP also co-opts the concerned sector minister responsible for a given PE when decisions are made on the privatization of that enterprise and on related sector policies. Under the three-phase privatization programme announced by President Obasanjo in July 1999, the FGN has set the goal of divesting about 100 PEs through privatization or commercialization. These include major PEs in the productive sectors, in services and in infrastructure. They cover the following sectors:

(a) Manufacturing: cement, vehicle assembly, machine tools, pulp and paper, sugar mills, aluminum smelting, steel, petrochemicals, and oil refineries;

(b) Services: hotels, oil marketing, and financial institutions and banking; and

(c) Infrastructure: telecommunications, power, ports, railways, air transport, airport passenger handling and freight forwarding.

Significant progress has been made with implementation of phase one of the privatization programme, with the sale of government shareholdings in eight PEs including two cement companies and two banks. The FGN has made important progress in preparation of the telecommunications and electric power reform programme. This includes adoption of a new National Telecommunications Policy, opening the sector fully to competition in 2001, and a National Electric Power Policy. Some Nigerians are opposed to the programme, however. As the World Bank (2001) notes: While the Obasanjo administration is strongly committed to an accelerated privatization programme, significant stakeholder groups are resisting the reforms. These include PE [public enterprise] managers and employees, senior government officials and civil servants, notably in sectoral ministries, who perceive that their current power and perquisites will be reduced as the privatization programme is implemented. In the National Assembly, a range of politicians view privatization as a threat to national sovereignty, and an unwarranted reduction in the role of the state.

The strongest opposition has emerged from labor unions, particularly in the utilities sector. In part, such opposition is due to adherence to often-outmoded economic thinking. This situation is further complicated by the deep-seated ethnic and regional differences in Nigerian society, which can complicate the sale of public enterprises generally, and in particular of PEs located in different regions, unless it is fully supported by the local elite and local population. The situation was heightened by the lack of a credible privatization process, absence of a popularly acceptable regulatory framework and total neglect of issues relating to social safety nets among others.

2.6 Concept of Privatization

Different authors define privatization differently. Some authors define

Privatization narrowly and some others define privatization broadly. Burman and Kikeri, (2007) define privatization narrowly to mean the transfer of a majority of ownership from states to private sectors by the sale of ongoing concerns or assets following liquidation. To further the understanding of Privatization, Ogunlalu (1999) in Asaolu and Oladele

(2006) conceives Privatization as the transfer of shares ownership or sale of shares owned by government in public enterprises to the private funds. Privatization of shares makes the enterprises to become public companies and this facilities easy transferability of shares (Asaolu and Oladele, 2006). Hanke (1987) in Jerome (2005) defined privatization as a transfer of assets and services functions from public to private hands. These authors emphasize activities ranging from selling state-owned enterprises to contracting out public services with private contractors. Thus, privatization is the transfer of ownership fully or partially from governments to private sectors through various methods such as direct sales, share issues, leasing, etc. Some other authors look at privatization as a wider phenomenon comprising of interrelated activities that reduce the government ownership and control of enterprises and that promote private sector participation in the management of state-owned enterprises.

Vickers and Wright (1998) in Jerome (2005) view privatization as an umbrella term for a variety of different policy that are loosely linked which mean the strengthening of the market at the expense of the state. Hartley and Parker (2006) define privatization as “the introduction of market forces into an economy in order to make enterprises to work on a more commercial basis. They mean that privatization includes denationalization or selling off state-owned assets, deregulation (liberalization) competitive tendering, as well as the introduction of private ownership and market arrangements in the ex-socialist states.

In Nigeria privatization, The Privatization and Commercialization Act of 1988 and the Bureau of Public Enterprises Act of 1993 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. It could also be referred to the changing status of a business, service or industry from state, government or public to private ownership or control. Occasionally, the term privatization is to include the use of private contractors to provide services previously rendered by the public sector.

Based on these various definitions of privatization discussed above, this study uses the definition of privatization which is a bit narrow that is Share issue privatization (SIP, hereafter). In this definition, privatization includes the transfers of a full or partial government ownership to private ownership through the sale of equity in the capital market.

2.7 Types of Privatization*:*

The literature is filled with descriptions of the types of privatization. For now, Hebdon and Gunn (1995) in Jerome (2005) identify the following four most common types of privatization:

1) Public/Private Partnerships: This occurs when public funds are used to stimulate private sector investment. An example would be a public transportation system where the buses are owned and maintained by a private firm that is paid with government funds for the services it provides.

2) Cessation of Service/Commercialization: This occurs when a government ceases to provide a public service altogether, leaving it to the private sector, if they feel they can make a profit doing so, to provide the service at a fee charged directly to the public as opposed to a government agency.

3) Sale of State Owned Enterprises (SOE): Selling public assets (e.g., golf courses, convention centers, airports, Conrail in 1987) can produce a onetime fiscal windfall to a community, at the expense of a future stream of income. Recently as a result of the Department of Defense Base Realignment and Closure (BRAC) activities, some former military installations have been sold to the highest bidder

(4) Contracting Out: contracting out involves the provision of public services literally from A to Z (i.e. administrative support to zoo keeping) through contracts with private firms. While the service is provided by for-profit companies as well as by non-profits (e.g., much social service contracting), the government remains responsible for service quality and delivery.

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CHAPTER THREE

RESEARCH METHODOLOGY

3.0 Introduction

This chapter explained how the research study was carried out by identifying the appropriate research design employed in the study. It equally describe the population of the study, research instrument to be used, sample and sampling procedure, data collection methods, the method of data analysis, and among other relevant issues.

3.1 Research methodology

The design of the study is the description of various processes to be undertaken for the successful completion of the work. A survey method was adopted to obtain data from the respondent. In order to ensure the accuracy of this method the researcher used questionnaire personally administered on the respondents.

3.2 Source of data collection

The data for this research work was sourced using both primary and secondary method of data collection.

3.2.1 Primary sources of data.

The primary data or the study unit regarding with information is to be collected on first hand basis. This data will be gathered from data supplied by respondents of the questionnaire and interview which serves the desired information and personal observation.

3.2.2 Secondary source of data

The source gathered for this research includes: journals, textbooks, magazines, bank statements for the year, seminar papers e.t.c. other sources are bulletins, authorized gazettes, financial statement for the year e.t.c. most of the materials were accessed from universities library, state library, and private sources.

3.3 Area of study.

the research work has a wide range of study intended to cover public enterprise in Nigeria in reference to oando fuel station due to the time lag and location.it is located at new haven junction enugu-state.

3.4 Population of the study.

Since one the major enterprises in the Nigerian petroleum sector is Oando plc, the population of the study is the entire organization. However, for the purpose of this study and the need to establish a realistic population and sample size, the staff strength of Oando plc used is one hundred and (100) staff.

3.4.1 Sampling Design and technique

In determining the sample design for the work, a well structured questionnaire was designed which contained about sixteen (16) questions. The questionnaire was divided into two sections, A and B. This questionnaire was developed by the researcher and administered to the staff of Oando plc.

The sample size for the research work was determined using yaro yamani formular which is as stated

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

where n= sample size

N=total population size

e=margin of error (5%)

1=constant

n= $\frac{1.33}{1+133(0.05)}$

n= $\frac{1.33}{1+133(0.0025)}$

n= $\frac{1.33}{1.3325}$

= 99.8

= 100

3.5 Instrument for data collection.

For the purpose of this study, the researcher used questionnaire as a direct instrument for data collection. The questionnaire was structured in multiple choice terms from which the respondents responded to their choosed options available.

3.6 Reliability of the test instruments

The research instrument administered to the population were reliable because the respondent were consistent in answering the questions that is if the result obtained were consistent then the respondent gave the same answers to many of the research questions.

3.7 Validity of the research instrument

The questionnaire is designed to elicit responds on impact of public financial statement on shareholders' investment decision. The measuring instrument is valid because the researcher succeeded in achieving the objective which is to test whether the research design is capable of eliciting the required response from the respondent.

3.8 Method of data analysis.

Data related to this research work where analyzed using percentage and simple statement as referred to the information collected from respondents through research questionnaire delivered as represented in a tabular form.

Thus, a parametric statistical testing tool, 2 tests was used to test hypothesis about the difference between means of the groups. The formula for the 2 test statistical tool is stated below:

$$Z = \frac{x_1 - x_2}{\sqrt{\frac{s_1^2}{N_1} + \frac{s_2^2}{N_2}}}$$

Where xi and x_2 are means of two groups of sample

S_1= standard deviation of population 1

S2= standard deviation of population 2

N1= size of sample from population 1

N2=size of sample from population 2

A five likert scale was used to award point to each specific question responded by the respondents. The favorable statement are scored as follows:

Strongly agreed (SA) – 4

Agreed (A)- 3

Disagreed (D) – 2

Strongly disagreed (SD) – 1

DECISION RULE

Reject the null hypothesis (H_0) and uphold alternative hypothesis (H_1) if the 2calculated value exceeds the 2- critical otherwise do not reject the null hypothesis.

Chapter Four

4.0 Analysis of data and Testing of Hypothesis.

This chapter deals with the statistical analysis of data collected for this study and the testing of hypothesis.

4.1 Data Presentation and Analysis

For the purpose of this research Hundred (100) questionnaires were distributed to accounting and sales department of Oando Plc in Enugu state, Nigeria in the proportion of 65 questionnaires to internal auditors and 35 questionnaires to the accounting department.

For an in-depth analysis of this research work on ten point questionnaire statement was raised, distributed and responded to by the respondents. The responses from respondents to the questionnaire were represented in figures and percentages respectively as this stated in the tables below.

QUESTIONNAIRE 1

Emphasis on cost performance by privatized enterprises has helped to reduce unnecessary waste and improved profitability.

Table 4.1: the responses and percentage of responses from respondents, to questionnaire one.

RESPONDENTS	RESPONSES						PERCENTAGES (%) RESPONSES					
	SA	A	D	SW	NO	Total	SA	A	D	SW	NO	Total
INTERNAL AUDIT	20	15	19	6	5	65	20	15	19	6	5	65
ACCOUNTING	17	7	5	2	4	35	17	7	5	2	4	35
Total	37	22	24	8	9	100	37	22	24	8	9	100

QUESTIONNAIRE 2

To a reasonable extent privatized organization has improve its cost performances

Table 4.2: The responses and percentages of responses from respondents to questionnaire two.

RESPONDENTS	RESPONSES						PERCENTAGES (%) RESPONSES					
	SA	A	D	SW	NO	Total	SA	A	D	SW	NO	Total
INTERNAL AUDIT	35	15	6	4	5	65	15	10	11	20	9	65
ACCOUNTING	3	10	5	15	2	35	3	10	5	15	2	35
Total	38	25	11	19	7	100	18	20	16	35	11	100

QUESTIONNAIRE 3

There have been effective checks and balances in the privatized enterprises compared to when it was public.

Table 4.3: The responses and percentages of responses from respondents to questionnaire three.

RESPONDENTS	RESPONSES						PERCENTAGES (%) RESPONSES					
	SA	A	D	SW	NO	Total	SA	A	D	SW	NO	Total
INTERNAL AUDIT	30	20	10	3	2	65	25	20	5	5	10	65
ACCOUNTING	10	9	5	6	5	35	10	9	5	6	5	35
Total	40	29	15	9	7	100	35	29	10	11	15	100

QUESTIONNAIRE 4

Due to privatization, there have been serious reduction of fraud in the enterprises.

Table 4.4: The responses and percentages of response from respondents to questionnaire four.

RESPONDENTS	RESPONSES						PERCENTAGES (%) RESPONSES					
	SA	A	D	SW	NO	Total	SA	A	D	SW	NO	Total
INTERNAL AUDIT	25	10	15	10	15	65	25	10	15	10	5	65
ACCOUNTING	10	10	9	4	2	35	10	10	9	4	2	35
Total	35	20	24	14	7	100	37	20	24	14	7	100

QUESTIONNAIRE 5

Privatization has now led to effective accountability of revenue and assets by the staff of the organization.

Table 4.5: The responses and percentages of responses from respondents to questionnaire five.

RESPONDENTS	RESPONSES						PERCENTAGES (%) RESPONSES					
	SA	A	D	SW	NO	Total	SA	A	D	SW	NO	Total
INTERNAL AUDIT	25	10	15	10	5	65	25	10	15	10	5	65
ACCOUNTING	10	8	10	5	2	35	10	8	10	5	2	35
Total	35	18	25	15	7	100	35	18	25	15	7	100

QUESTIONNAIRE 6

Due to privatization, organizations now pay proper attention to its shareholders wealth maximization and other stakeholders.

Table 4.6: The responses and percentages of responses from respondents to questionnaire six.

RESPONDENTS	RESPONSES						PERCENTAGES (%) RESPONSES					
	SA	A	D	SW	NO	Total	SA	A	D	SW	NO	Total
INTERNAL AUDIT	30	20	6	4	5	65	18	13	8	17	9	65
ACCOUNTING	11	5	7	6	6	35	11	5	7	6	6	35
Total	29	18	15	23	15	100	29	18	15	23	15	100

QUESTIONNAIRE 7:

Privatization public enterprises now carryout corporate social responsibilities.

Table 4.7: The responses and percentages of responses from respondents to questionnaires seven 7

RESPONDENTS	RESPONSES						PERCENTAGES (%) RESPONSES					
	SA	A	D	SW	NO	Total	SA	A	D	SW	NO	Total
INTERNAL AUDIT	35	15	5	6	4	65	35	15	5	6	4	65
ACCOUNTING	14	5	3	6	7	35	14	5	3	6	7	35
Total	49	20	8	12	11	100	49	20	8	12	11	100

QUESTIONNAIRE 8

To a reasonable extent the rank of the cost performance of the organization has improved.

Table 4.8: The responses and percentages of responses from respondents to questionnaire eight (8).

RESPONDENTS	RESPONSES						PERCENTAGES (%) RESPONSES					
	SA	A	D	SD	NO	Total	SA	A	D	SW	NO	Total
INTERNAL AUDIT	15	25	6	4	5	65	15	25	6	4	5	65
ACCOUNTING	13	9	10	2	1	35	13	9	10	2	1	35
Total	28	34	16	6	6	100	28	34	16	6	6	100

QUESTIONNAIRE 9

The general performance of the privatized public enterprises has been improved compared to whom it was government owned.

Table 4.9: The responses and percentages of responses to questionnaire nine (9).

RESPONDENTS	RESPONSES						PERCENTAGES (%) RESPONSES					
	SA	A	D	SW	NO	Total	SA	A	D	SW	NO	Total
INTERNAL AUDIT	25	15	7	11	7	65	25	15	7	11	7	65
ACCOUNTING	10	5	6	6	8	35	10	5	6	6	8	35
Total	35	20	13	17	15	100	35	20	13	17	14	100

QUESTIONNAIRE 10

The general performance of enterprises in terms of cost and accountability has been highly satisfactory.

Table 4.10: The responses and percentages of responses from respondents to questionnaire ten.

RESPONDENTS	RESPONSES						PERCENTAGES (%) RESPONSES					
	SA	A	D	SW	NO	Total	SA	A	D	SW	NO	Total
INTERNAL AUDIT	23	15	4	21	2	65	23	15	4	21	2	65
ACCOUNTING	11	6	4	9	5	35	11	6	4	9	5	35
Total	34	21	8	30	7	100	34	21	8	30	7	100

4.2 Test of Hypothesis

The hypothesis earlier stated chapter one would be tested in this chapter for rejection or acceptance the hypothesis is to be tested using the Z test for uncorrelated data.

Formula $Z = \frac{x_1 - x_2}{\sqrt{\frac{s_1^2}{N_1} + \frac{s_2^2}{N_2}}}$

Where

Z = test statistics

$\bar{x}_1$ = mean of sample 1

$\bar{x}_2$ = mean of sample 2

S_1 = Standard deviation for sample 1

S_2 = Standard deviation for sample 2

n_1 = Sample size for sample 1

n_2 = Sample size for sample 2

Hypothesis One

Privatization has not led to efficient and improved cost performance.

Table 4.15: Mean Computation of internal auditor's responses to test the hypothesis.

	X	f	fx
Strongly Agree	4	35	140
Agree	3	15	45
Disagree	2	6	12
Strongly Disagree	1	4	4
No opinion	0	5	0
	0	65	201

Mean $x_1 = \frac{\sum x}{N} = \frac{201}{65} = 3.1$

Table 4.16: Computation of standard deviation of internal auditor's responses to test the hypothesis.

X	F	$x - \bar{x} = x_1$	x_1^2	$F(x_1)^2$
4	35	4 – 3.1 = 0.9	0.81	28.35
3	15	3 – 3.1 = 0.1	0.01	0.15
2	6	2 – 3.1 = 1.1	1.21	7.26
1	4	1 – 3.1 = 2.1	4.41	17.64
0	5	0 – 3.1 = 3.1	9.61	48.05
				101.5

Variances $S^2 = \frac{\sum f(x_1)^2}{N-1}$

$$S_1^2 = \frac{101.5}{65-1}$$

$$S_1 = \sqrt{1.585}$$

$$S_1 = 1.258$$

TABLE 4.17: Mean computations of accountant's responses to test the hypothesis

	X	F	Fx
Strongly Agree	4	3	12
Agree	3	10	30
Disagree	2	5	10
Strongly Disagree	1	15	15
No opinion	0	2	0
Total	0	35	67

Mean $x_2 = \frac{fx}{N} = \frac{67}{35} = 1.91$

TABLE 4.18: Computation of Standard deviation of accountants responses to test the hypothesis.

X	F	$x - \bar{x} = x_1$	x_1^2	$F(x_1)^2$
4	35	4 – 1.91 = 2.09	4.3681	13.1043
3	15	3 – 1.91 = 1.09	1.1881	11.881
2	6	2 – 1.91 = 0.09	0.0081	0.0405
1	4	1 – 1.91 = -0.91	0.8281	12.4215
0	5	0 – 1.91 = -1.91	3.6481	7.2965

$$S_2^2 = \frac{44.7}{35-1} = \frac{44.7}{35-1}$$

$$S_2^2 = 1.3147$$

$$S_2 = \sqrt{1.3147}$$

$S_1 = 1.146$

$x_1 = 3.1$ $\quad$ $x_2 = 1.91$

$S_1 = 1.258$ $\quad$ $S_2 = 1.146$

$N_1 = 65$ $\quad$ $N_2 = 35$

Computing the Z – Test

$$Z = \frac{x_1 - x_2}{\sqrt{\frac{s_1^2}{N_1} + \frac{s_2^2}{N_2}}}$$

$$Z = \frac{3.1 - 1.91}{\sqrt{\frac{(1.258)^2}{65} + \frac{(1.146)^2}{35}}} = \frac{1.19}{\sqrt{\frac{1.583}{65} + \frac{1.313}{35}}} = \frac{1.19}{\sqrt{0.024 + 0.038}} = \frac{1.19}{\sqrt{0.062}} = \frac{1.19}{0.25} = 4.76$$

DECISION:

Since the Z – Calculated value 4.76 is greater than Z – critical value 1.98 at an infinite degree of freedom and 0.05 percent level of significance we reject the null hypothesis (H_0) and uphold the privatization has led to efficient and improved cost performance.

Hypothesis Two

There have been no effective a accountability to shareholders and other relevant stake holders

Table 4.19: Mean computation of internal auditors' responses to test the hypothesis.

	X	F	Fx
Strongly Agree	4	30	120
Agree	3	20	60
Disagree	2	10	20
Strongly Disagree	1	3	3
No opinion	0	2	0
Total	0	65	203

Mean $x_1 = \frac{fx}{N} = \frac{203}{65} = 3.1$

Table 4.19: Computation of standard deviation of internal to audit responses to test the hypothesis

X	F	$x - \bar{x} = x_1$	x_1^2	$F(x_1)^2$
4	18	4 – 2.22 = 1.78	3.1684	57.0312
3	13	3 – 2.22 = 0.78	0.6084	7.9092
2	8	2 – 2.22 = 0.22	0.0484	0.3872
1	17	1 – 2.22 = -1.22	1.4884	25.3028
0	9	0 – 2.22 = -2.22	4.9284	44.3556
				134.986

Variance $S^2 = \frac{\sum f(x_1)^2}{N-1} = S_1^2 = \frac{134.986}{65-1} = \frac{134.986}{64} = 2.109 = S_1 = \sqrt{2.109} = 1.45$

Table 4.21: Mean computation of accountings responses to test the hypothesis

	X	F	Fx
Strongly Agree	4	11	44
Agree	3	5	15
Disagree	2	7	14
Strongly Disagree	1	6	6
No opinion	0	6	0
Total		35	79

Mean $x_2 = \frac{fx}{N} = \frac{79}{35} = 2.25$

Table 4.22: Computation of standard deviation of accountants

X	F	$x - \bar{x} = x_1$	x_1^2	$F(x_1)^2$
4	11	4 – 2.22 = 1.5	2.25	24.75
3	5	3 – 2.22 = 0.5	0.25	1.25
2	7	2 – 2.22 = -0.5	0.25	1.75
1	6	1 – 2.22 = -1.5	2.25	13.5
0	6	0 – 2.22 = -2.5	6.25	37.5
				77.75

Variance $S^2 = \frac{\sum f(x_1)^2}{N-1} = S_1^2 = \frac{77.75}{35-1} = \frac{77.75}{34} = 2.286 = S_1 = \sqrt{2.286} = 1.512$

$x_1 = 3.07$ $x_2 = 2.25$ $S_1 = 1.45$ $S_2 = 1.512$

$N_1 = 65$ $N_2 = 35$

Table 4.23: Computation of standard deviation of internal auditors' responses to the hypothesis

X	F	$x - \bar{x} = x_1$	x_1^2	$F(x_1)^2$
4	30	4 – 3.1 = 0.9	0.81	24.3
3	20	3 – 3.1 = -0.1	0.01	0.2
2	10	2 – 3.1 = -1.1	1.21	12.1
1	3	1 – 3.1 = -2.1	4.41	13.23
0	2	0 – 3.1 = -3.1	9.61	19.23
				69.05

Variance $S^2 = \frac{\sum f(x_1)^2}{N-1} = S_1^2 = \frac{69.05}{65-1} = \frac{69.05}{64} = 1.0789 = S_1 = \sqrt{1.0789} = 1.038$

Table 4.25: Mean computation of accountants' responses to test the hypothesis.

	X	F	Fx
Strongly Agree	4	10	40
Agree	3	9	27
Disagree	2	5	10
Strongly Disagree	1	6	6
No opinion	0	5	0
Total	0	65	83

Mean $x_2 = \frac{fx}{N} = \frac{83}{35} = 2.37$

Table 4.25: Computation of standard deviation of accountants' responses to test the hypothesis.

X	F	$x - \bar{x} = x_1$	x_1^2	$F(x_1)^2$
4	10	4 – 2.37 = 1.63	2.6569	26.569
3	9	3 – 2.37 = 0.63	0.3969	3.5721
2	5	2 – 2.37 = -0.37	0.1369	0.6845
1	6	1 – 2.37 = -1.37	1.8769	11.2614
0	5	0 – 2.37 = -2.37	5.6169	28.0845
				70.1715

$S_2^2 = \frac{70.17}{35-1} = \frac{70.17}{34} = 2.063$

$S_2^2 = \sqrt{2.063} = 1.436$

$S_1 = 1.436$

$x_1 = 3.1$ $\quad$ $x_2 = 2.37$

$S_1 = 1.038$ $\quad$ $S_2 = 1.436$

$N_1 = 65$ $N_2 = 35$

Computing the Z – Test.

$$Z = \frac{x_1 - x_2}{\sqrt{\frac{s_1^2}{N_1} + \frac{s_2^2}{N_2}}}$$

$$Z = \frac{3.1 - 2.37}{\sqrt{\frac{(1.038)^2}{65} + \frac{(1.436)^2}{35}}} = \frac{0.73}{\sqrt{\frac{1.0774}{65} + \frac{2.0620}{35}}} = \frac{0.73}{\sqrt{0.0165 + 0.0589}} = \frac{0.73}{\sqrt{0.0754}} = \frac{0.73}{0.2745} = 2.659$$

Decision:

Since the Z – Calculated value 2.659 is greater than z – critical value 1.98 at an infinite degree of freedom and 0.05 percent level of significance, we reject null hypothesis (H_0) and uphold alternative hypothesis (H_1) which states that privatization has led to effective checks and balances in privatized enterprises in Nigeria.

4.3 Tabulating the Result

Hypothesis One

Respondents	$\bar{x}$	δw	N	Z-Calculate	Z– Critical Value	Decision
Internal Audit	3.1	1.258	65	4.76	1.96	Reject H_0
Accounting	1.91	1.146	35			

Hypothesis Two

Respondents	$\bar{x}$	δw	N	Z-Calculate	Z– Critical Value	Decision
Internal Audit	3.01	1.45	65	2.43	1.96	Reject H_0
Accounting	2.25	1.512	35			

Hypothesis Table

Respondents	$\bar{x}$	δw	N	Z-Calculate	Z–Critical Value	Decision
Internal Audit	2.1	1.038	65	2.659	1.96	Reject H_0
Accounting	2.37	1.436	35			

CHAPTER FIVE

SUMMARY, CONCLUSION AND RECOMMENDATION.

5.1 Summary

This study assesses cost performance and accountability in the privatization of public enterprises in Nigeria. The findings of the study are summarized in itemize forms as follows;

a) It was discovered that privatization of Unipetrol has led into efficient and improved cost performance. This also in tender on the general perception that privatization of public enterprises will improve cost performance and enhance organizational profitability.

b) Empirical evidence has shown that enterprises that relates with her shareholders, employees, suppliers, creditors and even community where they operate performs significantly. Result of these findings confirms this as it was discovered that Oando Plc relates very well with all relevant stakeholders.

c) It was also discovered that privatization has led to effective cheek and balances in privatized enterprises in Nigeria.

5.2 CONCLUSION

The following conclusions were made from the findings of this study;

Privatization of Oando Plc has led to improved cost performances and effective cheeks and balances.

a) There is availability of proper cheek and balances of shareholders as to improve better productivity. Management is encouraged to make decisions based on the information provided by the management accountant. This is because if management should adhere to the above statement, they will enhance proper accountability to shareholders and maximize profits as well.
b) After examined in details the assessment of cost performance and accountability in privatized public enterprises, one can conclude that privatization has led to improvement of general performance of the enterprise.

c) Based on the findings, it was concluded that privatization of Unipetrol has led to efficient and improved cost performance. And enhanced organizational profitability.

d) Based on the findings, one can also conclude that privatization brings a strong and effective accountability to shareholders and other relevant stakeholders.

5.3 RECOMMENDATION

The researcher wish to make the following recommendations;

a) Government should provide the entire necessary enabling environment for the privatized company to carry out their activities without unnecessary increasing their cost.

b) The enterprises still need close supervision to enhance compliance to the regulatory requirement and compel them to satisfy the needs of their relevant stakeholders when necessary.

c) It is often said that agencies of regulation must themselves be regulated in order to ensure that the tool of reform does not become corrupt itself, the bureau of public enterprises should build processes mechanism into its function to adhere to transparent procedure, open bidding, rules and regulations and international best practices in the privatization exercise. In this way, the Nigerian public stakeholders and civil society organization will know who is bidding for which enterprises, how the selection procedure of bidders are concluded and at what price.

These recommendations will be at immense value and guide to the National Council on Privatization (NCP) the bureau of public enterprises (BPE), and all the stakeholdreers in the Nigerian enterprises in general and PHCN in particular, on the need to privatize public enterprises to propel the Nigerian economy to a greater leap forward in.

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APPENDIX I

Department of accountancy,
Faculty of management and,
Social sciences,
Caritas University,
Amorji-Nike,Emene.
Enugu State P.M.B 01784
19th June, 2013.

Dear Respondent,

ASSESSING THE COST PERFORMANCE AND ACCOUNTABILITY OF PRIVATIZED PUBLIC ENTERPRISES IN NIGERIA.

I wish to solicit for your assistance on the above research topic to enable me complete my project as partial fulfillment for the award of degree. I am a student of the department of accountancy caritas university, Enugu.

The study is purely for academic purpose and whatever information obtained will be used for the research only and shall be treated with utmost confidentiality.

Thanks for your anticipated corporation.

Yours sincerely

Abah Ojoma Jennifer

APPENDIX II

QUESTIONNAIRE

INSTRUCTION: Please fill in the space provided by ticking (-----) against the information that is applicable to you.

SECTION A

a) Sex: Male ( ) Female ( )
b) Age: 20 – 30 ( ) 31 – 40 ( ) 41 – 50 ( ) and above
c) Marital status: Married ( ) Single ( ) Divorced ( )
d) Status;
    - Top level manager
    - Middle level manager
    - Lower level manager
e) How long have you served in this work?
    - 1 – 4 years ( )
    - 5 – 9 years ( )
    - 10 – 19 years ( )
f) Educational qualification;
    - MBA/MSC ( ) BSC/HND ( ) OND/NCE ( )

SECTION B

- SA – Strongly agreed

- A – Agreed
- D- Disagreed
- SD – Strongly disagreed
- NO – No opinion

g) Emphasis on cost performance by the privatized public enterprises has helped to reduce unnecessary waste and improve profitability
   - SA ( ) A ( ) D ( ) SD ( ) NO ( )

h) To a reasonable extent, privatized organization has improved its cost performance
   - SA ( ) A ( ) D ( ) SD ( ) NO ( )

i) There have been effective checks and balances in privatized enterprises compared to when it was public.
   - SA ( ) A ( ) D ( ) SD ( ) NO ( )

j) Due to privatization, there have been serious reduction of fraud in the enterprises.
   SA ( ) A ( ) D ( ) SD ( ) NO ( )

k) Privatization has now led to effective accountability of revenue and asset by the staff of the organization.
   SA ( ) A ( ) D ( ) SD ( ) NO ( )

l) Due to privatization, organization now pays proper attention to its shareholder wealth maximization and other stakeholders.
   SA ( ) A ( ) D ( ) SD ( ) NO ( )

m) Privatized public enterprises now carry out corporate social responsibilities.
   SA ( ) A ( ) D ( ) SD ( ) NO ( )

n) To reasonable extent, the rank of the cost performance of the organization has improved.

SA ( ) A ( ) D ( ) SD ( ) NO ( )

o) The general performance of the privatized public enterprises has been improved compared to when it was government owned.
SA ( ) A ( ) D ( ) SD ( ) NO ( )

p) The general performance of the firm in terms of cost and accountability has been highly satisfactory.
SA ( ) A ( ) D ( ) SD ( ) NO ( )