THE IMPACT OF PRIVATIZATION AND COMMERCIALIZATION OF PUBLIC ENTERPRISES ON ECONOMIC GROWTH OF NIGERIA

BY

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DEPARTMENT OF ECONOMICS
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ENUGU STATE

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TITLE PAGE

THE IMPACT OF PRIVATIZATION AND COMMERCIALIZATION OF PUBLIC ENTERPRISES ON ECONOMIC GROWTH OF NIGERIA

A PROJECT SUBMITTED IN PARTIAL FULFILLMENT OF THE REQUIREMENTS FOR THE AWARD OF BACHELOR OF SCIENCE (B.Sc.) DEGREE IN ECONOMICS

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APPROVAL PAGE

This research work has been read and certified as meeting part of the requirements for the award of bachelor of science (B.Sc.) degree in the Department of Economics, Faculty of Management and Social Sciences, Caritas University. Enugu State, Nigeria.

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DEDICATION

This research work is dedicated to the almighty god for his divine love, guidance and infinite mercies through out my study years.

I also dedicate this work to my ever loving parents Engr. Dr. and Mrs. Asouzu for their love, supports, criticism and their day and night struggles to give me the best education, to my siblings Chuka, Chidi, Nnamdi Ogochukwu, Amaka and Uche and to all my friends Christiana, Sharon, Amara and Winner for their encouragements and assistance.

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I give my profound gratitude to God Almighty the creator of the whole universe who gave me life and sound health in abundance and saw me through my degree programme in this university. May all the glory, honour and adoration be ascribed to his holy name.

My deepest and unquantifiable gratitude goes to my parents Engr. Dr. and Mrs. Asouzu for their love, support, encouragement and prayers through out my learning period in this university. You are the best parents any one could ever wish for in the whole world.

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To my friends and colleagues, you have been wonderful and it has been fun being with you and learning amongst you. Thank you all for you all for your different contributions to my life and I want

forget you. To my roommates, I won’t forget all the memories we have made together without you all life would have been hell on earth.

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ABSTRACT

So much effort has been made towards understanding the relationship between privatization and commercialization and the economic growth of Nigeria. Privatization and commercialization of pubic enterprises in every economy is introduced for the attainment of specific objectives which includes economic growth and stability. Data was collected and analyzed using ordinary least square method (OLS). The result of the study shows that there is a positive but insignificant impact of private investment on the economy, this due to lack of investment in the private sector. On the strength of this evidence, this work recommends that the government should allow the private sector to establish major companies like electricity generating companies, water supply companies etc. This study finally concludes by saying that the impact of privatization and commercialization of public enterprises on economic growth can only take effective progress when the enterprises are wholly or partially in some cases handled and controlled by the private owner whom will not relent in the optimization of profitable enterprises.

CHAPTER ONE

INTRODUCTION

1.1 BACKGROUND OF THE STUDY

Several experts and informed opinions have presented privatization and commercialization as one of the bitter pills to be taken by Nigeria's in order to recover from economic slump, it to a great extent helps to solve some vital problems that has led to the untimely devastating problems is the syndromes of "not- my fathers- work" which has greatly and negatively affected both smooth running and performance of the these enterprises. The privatization policy was recommended by the onside report of 1982 by the Athakem study group of statutory corruptions and state owned corporations set up in September 1984, the competence of chief Executives of Nigeria public enterprises held in Jos, plateau state in May 29-30, 1985 and by international minatory fund, as a condition for is loan to Nigeria.

Public enterprises in Nigeria has been considered as inefficient and wasteful, this is because they have viewed it wish the profit criterion. According to a school of thought asserting the activities for public enterprises with the profit criterion is not always a fair judgment economic activities, it is usually not appropriate to us the performance standard of the private sector “they are horses of different colours”. Unfortunately, the Nigerian public sector enterprises have failed in this efficient and effective provision of the services for which they were established. Infact it was this feeling of failure and crimelessness arising from the increased difficulty in the government that prompted the proposition of privatization policy in Nigeria.

For a large part of the frontlets century, there were countries in the world (Eastern bloc) that promised state ownership of means of production, whiles other (Western bloc) promised private ownership of the means of production. A good number of countries practiced what was termed mixed economy i.e. the combination of public and private ownership of he means of production. However, at the end of the twentieth century with the end of the war between the eastern and western blocs, private ownership of means of production took ascendancy.

Today, the received wisdom is that the state should recede and that private ownership of means of production is the only viable approach to efficient production f goods and services, economies growth and development. Nigeria has more than 1,800 public enterprises at Federal and state level which can be categorized as follows:

i. Public utility providing infers fractural services

ii. Strategic industries such as petroleum and petrochemical, fertilizer plans iron steel.

iii. Economic/Commercial enterprises such as manufacturing of consumer goods insurance, banks and hotel.

iv. Departmental/stationary boards designed to serve specific socials of development roles as university and research institutes, Ake (1981)

It is important to note that the introduction of SAP in 1986 serves as a bench mark in economic policy-making in Nigeria with the resultant, liberalization, deregulation, Privatization and commercialization measures. The critical question here remains how many of these policies have been able to resituate the political economy of Nigerian and in true alleviating the yearning and aspiration of the working class.

1.2 STATEMENT OF PROBLEM

Privatization and Commercialization of public enterprises is a vital tool for the upliftment of the growth and development of the economy, more especially the developing countries like Nigeria. Regrettably, the problems facing this Privatization and commercialization program is numerous to include:

a. Corruption
b. Lack of Transparency
c. Lack of accountability
d. Inconsistency and,
e. Incredibility

However, it is based on these problems that the basic propositions of this Privatization and commercialization program are being hindered. It is important to note that he major function that informed the establishment of these public enterprises are to control the resources and raise funds for the provision of certain infrastructural facilities particularly in services requiring heavy financial investment e.g. railway, telecommunication electricity etc, also tope form the function of generating revenues that will add to financial development program and projects as reliable instrument for the crucifies of jobs and ultimately facilitate economic growth and development. In trying to look into these discrepancies and proffer a way forward toward a state of Privatization and commercialization of public enterprise in Nigeria that enhances economic growth and development this research work emanated.

1.3 OBJECTIVE OF THE STUDY

This study has a main objective of finding out the impact of Privatization and commercialization of public enterprises on the Nigerian economy.

1.4 STATEMENT OF HYPOTHESIS

It is against the background pf problem identified and the objective of the study that the underlisted hypothesis was made:

Ho $:\beta o : \beta 1 = \beta 2 = 0$ (Null Hypothesis)

This means that the process for Privatization policy made no significant impact on the economic growth of the Nigerian economy.

1.5 SIGNIFICANCE OF THE STUDY

This research work will be of great importance to the researcher, because it will enable her to know the importance of privatization in the economy of this country (Nigeria). It would also help to develop her personal knowledge.

The research will also help the government to 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 them to retain and work towards real implementation of it and thereby creating room for the rapid growth and development of this country.

Finally, the research will be useful to the students of economics and other field, who wish to know more about privatization and commercialization.

1.6 SCOPE AND LIMITATIONS OF THE STUDY

The research work is focused on the impact of privatization and commercialization of public enterprises on the Nigerian economy from 1980 to 2010.

1.7 DEFINITION OF TERMS

Definition of basic concepts is important so that the study will be made meaningful, some definition of terms used in the study are as follows:

a. Privatization

This is the process of transferring ownership interest and control from a government owner enterprise to a private sector. It can also be said to be the transfer of ownership and central of enterprises from state to private sector.

Ogunna defined privatization as policy of selling off public enterprises to individuals groups and organization so that as private organization they should operate under the principles of profitability, effectiveness, efficiency and viability rather than in a public interest.

Ikeme, (1997) defines privatization as any of the variety of measures adopted by the government to expose of public enterprises competition or to bring in private ownership management or control into public enterprises and accordingly to reduce the weight of public ownership or control or management.

b. Commercialization

This concerned with the reform of public enterprises to achieve high efficiency and productivity without change of ownership.

c. Public Enterprises

These are any corporation board, company or parastatals established by or under any enactment in which the government Federation has ownership or equity interest. As defined by Ademolekun (1985) they are organizations that engage as a result of garment activity in the capacity of an entrepreneur.

CHAPTER TWO

2.1 THEORETICAL FRAMEWORK

According to Ogban-Iyam who sees theory as a set of interrelated concepts that are used to explain, describe, interpret and predict the relationship between phenomena or variables. Theory helps to provides us with a way of looking at the real world.

Here, structural – Functional theory is used as a suitable framework of analysis for the policy of privatization and commercialization of public enterprises in Nigeria. Structural-Functionalism is a theoretical framework is intended to explain the bases for maintaining order and stability is society and relevant arrangement within the society. This theory originated in the biological and medical science. It was adopted as a mode of analysis in sociology and anthropology as evidence in the work of Emile Durkhim and Talcott Parson. It was developed for political analysis by Gabriel Almond, S. P. Verma who stressed that structural – Functionalism involves two main concepts, such as structures and functions. Structure refers to the arrangement within the system which perform the functions. Also, structure is the way in which the parts are connected together in order to be arranged or organized. Function has been defined by Merton Robert as those observed consequences which for the adoption or adjustment of a given system. According to Orah young function is generally defined as the objective consequences of a pattern of action for the system in which it occurs.

The basic assumption of the structural functional framework is that all system have structures which can be identified and these structures perform functions within the system necessary for its persistence. It refers to the structures that are found in any system and functions performed by structures. This political system is defined as the various structures and institutions in the society that perform political functions or that bear on political decision making policy. Eme Awa (1976) clearly defines political system as "the peculiar structures in any particular system performing political functions".

In analysis, there are three branches or structures of government such as legislature, executive and Judiciary. The structure can be analyzed from three main levels as person, institution and subsystems. The whole of structure is analyzed into parts each dealing with a particular sphere of activities for instance political, economic and social subsystem.

Therefore, structure of government lead to substructure. It is the government and their bureaucracy that makes rules, administering, adjudicating and formulated those economic policies by the executive for economic growth of the country. If the economic structure, such as industries, Nigerian Telecommunications Limited, Power Holding Company etc. which are established by the government are well organized and harmonized functions are performed smoothly.

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

Ukwu (1982 – 1987) said that the perennial problem of public enterprises arises from the composition of the board and its relationship with management. In particular , the conflict between the chairman and the chief executive himself usually a direct appointee are appointed for reasons of political patronage rather that nay contributions they are capable of making to enhance performance.

Ugoo. E. Abba (2008:248) argued that some public enterprises whose establishments are hinged on regulatory philosophy have also not lived up to standard. Due to epidemic corruption in these enterprises, officials collect bribes and truncate their primary reasons for establishment. But in the words of Chief Olusegun Obasanjo (1999) in his assessment of the decline in Nigeria's public enterprises assert that these enterprises suffer from fundamental problem of defective capital structure, executive bureaucratic control or intervention in appropriate technology gross incompetence and mismanagement, blatant corruption and crippling complacency which monopoly engenders.

In the words of Ogunna (1999), the poor performance of public enterprises in Nigeria can be approached from the perspective of inadequate financial and material resources, poor management, corruption and lack of continuity of public corporation boards. On the other hand, the civilian government of first and second republic appreciated the need for the public of privatization and commercialization, which was reflected in the various panels to that effect which they established.

Ollos (1986) was in support when he said that given the economic recovery objective of government. "Privatization will relieve the financial burden of government and releases fund for it to use in other areas.

General Abdusalami Abubakar (rtd.) came to power in June (1998), the continued with the policy with much more vigor and planned to private or at least commercialize all public enterprises which be believed would not only salvage the ailing public enterprises make them more effective, but would in addition, provide enormous funds to government for other public services. Obadan hints that the enhancement of efficiency should be the primary objective of privatization programme. This is because maximum efficiency will bring moiré sustained gains, which can then be distributed to a wider segment of the society.

Lewis (1994:178) supports the view of efficiency that the private sector is to be more efficient more productive and more profitable. In short, privatization according to him would increase government revenues and cut down or eliminate waste and unnecessary bureaucracy. Nellis (1999) in Obadan 200:19 agreed with the above assertion by saying that in empirical terms, various assessment of privatization out comes, particularly in the industry and middle – income countries have concluded that privatization leads to improve performance of private companies and that private owned firms". He posits that increasing evidence also shows that privatization yields positive results in lower income and transition countries as well.

Guislain (1997:173) is of the view that the more for privatization is that most government find themselves facing deep budget deficits and public financials crises. The state no longer has the financial resources either to offset the losses of state-owned enterprises (SOEs) or to provide the capital increases necessary for their development. Thus, emphasizing that privatization is the answer as most of state-owned enterprises are deeply involved in corrupt practices that have depreciated its values to achieve the basic requirement expected of it.

The Director General, Bureau of Public Enterprises (BPE), Dr. Christopher Anyanwu said that government would hinder it from meeting its privatization objectives. He listed the objectives of the privatization among other things to include the restructuring and rationalization of the pubic sector in order to lesson the dominance of unproductive investments, besides; privatization was targeted at raising funds for financing socio-economic development in areas such as health, education and infrastructure.

General Ibrahim Babangida' administration was the first to take concrete steps towards privatization and commercialization of some public enterprises.

Having reviewed some books on administrative management problems of public enterprise and possible ways of reformative measures and the cause of these problems that have engulfed these public enterprises especially from the external and internal factors and also having reviewed some books and articles on these privatization and commercialization policy has been detrimental to the poor in the society. Let us now attempt a review of some books and articles that see privatization and commercialization as an exploitative tool in the hands of ruling class and its foreign allies.

Nnoli, O. (1981:4) historically, introduced the issues of initial rational why government involved in business activities, that those reasons should not be sacrificed at alter of bourgeoisie inclined profit maximization. He contended because public Parastatals was only peripheral to the interest of the foreign capitalist condition of work in it particularly the ways were attractive than in the private companies with a consequent lowering of workers moral and productivity. That the public sector should be blamed for its inefficiency because at the dawn of independence, change has occurred in public sectors, most of its activities were performed by private contractors and their failure is the success of the private sector.

Another article assessed that the different dimensions of which privatization and commercialization have been viewed by various scholars. I think the programme from the on set had no clear focus. The government was not really sure what it wanted from the programme and consequently the TCPC itself did not know where its true mission was. They never knew whether their mission was raising money for the government or sharing of the national cake.

Furthermore, Bola (2004), found out that the privatization in Nigeria has been able to replace the public monopoly with private monopoly. However, the major impact of the reform has been in the area of increased competition and efficiency. These were evident in the telecommunication, petroleum and banking sector.

According to Garba on Vanguard, Tuesday September 10, 2009, today the world has virtually become a global village in terms of communications and doing business is gradually shifting from boardrooms to individual comes, courtesy of teleconference, In view of these developments, two countries are looking up to you the experts to ensure that their relations are boosted by the content innovative trends in Telecommunications.

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

Kalu (1999) contributed that as at end of 2005 over 10 enterprises have been privatized while over 30 enterprises have been commercialized. For example Nation Electric Power Authority (NEPA), now power Holding Company of Nigeria (PHCN).

According to the Federal Government of Nigeria (1993), the long term goal of a telecommunication enterprise is not only to be self financing but also to generate a reasonable return on investment and provision of digital exchange; transmission units, gateway, and cellular telephone system all over the country.

Amechi argues that with the Nigerian beliefs which hold that government enterprises are nobody's property every one inside and outside then strives to loot them and no one preserves them. He argues that privatization is a step fighting this ugly trend.

2.2 BACKGROUND OF PRIVATIZATION IN NIGERIAN

The process of privatization began in March, 1988 by the promulgation of Decree as part of the structural adjustment programme (SAP) of the Ibrahim Badamosi Babangido's administration (1985 – 1993). As Mc Grew argued SAP is a neo – liberal development strategy devised by international financial institutions to incorporate national economics into the global market.

The privatization and commercialization Decree of 1988 set up the Technical committee on privatization and commercialization (TCPC) under the chairman of Dr. Hamza Zayyad to privatize III public enterprises and commercialization 34 others. 1993, the TCPC concluded its assignment and submitted a final report having privatized 88 out of the III enterprises listed in the decree. Based on the recommendation of the TCPC, the Federal Military government promulgated the Bureau for public enterprises Act 1993 which repealed the 1993 Act and set up the Bureau for public enterprises

(BPE) to implement the privatization programme in Nigeria. In 1999, the federal government enacted the public enterprise Act 1999 which created the National council on privatization under the chairmanship of the vice president.

2.3 DEFINITION OF PRIVATIZATION

Privatization can be defined as the transfer of ownership and control of enterprises from the state to the private sector. Iheme (1997) defines privatization as any of a variety of measures adopted by the government to expose a public enterprise to competition to bring in private ownership and control or management into a public enterprise and accordingly to reduce the usual weight of public ownership or control or management. By section 14 of the Decree 25, privatization is the relinquishment of part or all the equity and other interest held by the federal government or its agency in enterprises whether wholly or partly owned by the federal government. According to Ejimofe (2000), the term privatization means the transfer of power and functions form the public sector, through the government to the private sector. He further stated that privatization should lead to the general and financial independence of a company, without dependence on subsidies or grants from the government.

Bajomo (1988), in his own statement in his paper (the rational for privatization and commercialization) said that “privatization and commercialization can referred to as a reward system involving a move towards the pursuit of efficiency and effectiveness in the attainment of objectives, through the adoption of management styles that take profit making as one of its major focus”. He further said that it is an orientation found throughout the world and that transplanting this orientation in public sector means a move by public enterprises to adopt the private enterprises, the non-profit thinking of public enterprises.

Orjih (2001) said that privatization is the relinquishing of part or all the equity and other interest held by the Federal government or its agencies in enterprises whether wholly or partly owned by the federal government. He went further to identify two forms of privatization as:

a. **Full Privatization:** This is the divestment by federal government of all its ordinary shareholding designated enterprises. Mostly affected are enterprises which produce goods that are not essential in nature.

b. **Partial Privatization:** This involves divestment by the Federal Government of part of its ordinary share holding in designated enterprises. The enterprises affected are the ones government considers straight for their essential goods and services. In a related development, Bakome (2008) also identified some forms of privatization, which include a complete form of selling government owned public enterprises to private buyers and remove government completely from any involvement in the affairs of such firms. Another form of privatization according to him is to retain government ownership of the enterprises which it is allowed to be run and managed on purely commercial basis just like any other private business. Yet another form of privatization according to him is by way of sharing ownership of enterprises between the public and the private sector while leaving the day-to-day running of the enterprises in the heads of private administrators. He further said that deregulation can be considered as another form of privatization. He also said that privatization has been achieved in some countries by selling the business either entirely or partially to the employees.

2.4 ORIGIN AND DEVELOPMENT OF PUBLIC ENTERPRISES IN NIGERIAN

In most countries of the world particularly the developing ones, the decades following world war II (particularly, the 1960, and early 1970s and early 1970s) witnessed a massive intervention of the government influence in the economics of these countries by establishing public enterprises (PEs), state-owned companies (SOCs). Public enterprises were seen as veritable tools for achieving national socio-economic development. Thus, since the 1950s, successive governments have used public corporations and state-owned companies as tools of public intervention in the development process. This was eloquently states in the Nigerian second National Development plan.

> *Their Primary purpose is to stimulate and accelerate national economic development under conditions of capital scarcity and structural defects in private business*

organization, there are also basic considerations arising from the dangers of leaving vital sectors of the national economy to the whims of the private sector often under the direct and remote controls of foreign large scale industrial combine.

Consequently, the PEs, especially in developing countries became active in the sectors such as manufacturing, construction, finance, service utilities, transportation, agriculture, nature resources etc. The organization and functioning of public enterprises range from one country to another.

It is important to note that the organization and functioning of public enterprises vary in some important respects among countries world wide.

The history of public corporations in Nigeria dates back to 1897 when the Lagos colonial administration by ordinance establishment the

Lagos Race course Management Board to run, regulate, manage and develop the race course on the Lagos Island. After independence, many public corporations have been established by government. They include: National Television Authority (1962), Nigeria Defense Industries Corporation (1964), Nigeria Airway, Nigeria produce marketing company Limited etc.

The first generation of state enterprises in Nigeria was established along regional lines. Public enterprises were motivated by the need for regional government to control the resources in the regions. The Northern Region in 1962 formed the New Nigerian Development Company (NNDC) with its Headquarters in Kaduna the regional capital of the North. The Western Region established the Odua investment Company (Odua's Group) a holding company with head office in Ibadan, its regional capital. The Eastern Region established the Eastern Nigeria Development Corporation (ENDC) in 1960. Each of these was a holding company with subsidiaries in real estates, banking, agriculture, insurance and transportation. The regional state enterprises drew their initial capital from state coffers and received regular government subventions. Sub-regional interests ride for positions of responsibility in the management of regional enterprises.

Competition among regional investment institutions was political rather than economic. Performance were secondary, the appointment of board members and management teams was a means of political patronage. Since the regimes needed their enterprises as conducts for public funds for political patronage and personal enrichment the subvention continued to flow grossly under performing state enterprises.

There were two reasons why the oil industry in Nigeria became a symbol of national control. In the early 1970s, the oil industry was regarded as too particularly strategic to be left in the heads of the private sector and civil war was fought for the control of oil wealth (1967 –1970). The quest for full control of the oil industry led to the merge of Nigeria National oil Corporation (NNOC) with the Federal Ministry of Petroleum in 1978 to form the Nigeria National Petroleum Corporation (Decrees No. 33 of 1976). The creation of NNPC made the Federal Government owner, the manager, marketers and auditing officer in the all important oil industry.

It was then in 1975 that Nigeria's military leader, General Yakubu Gowon was quoted as saying that money was not the country's problem but how to spend it. The Abeokuta Iron and Steel plant was started in 1975 with the Soviet Union as technical partner. Four more (Aladja, Osogbo, Katsina, and Jos steel Rolling mills) were added to the list of about 800 Federal Government commercial enterprises in various sectors with over 1533 branches nationwide. This was in addition to 32 federal ministries, 125 parastatals, 24 Federal universities and 61 special institutions and research centres. The investment extended from agriculture, banking and insurance, transportation to hotel management, housing and publishing.

Despite the large investments, virtually energy sector of the Nigerian economy was still import dependent. Several years after public enterprises have served as platforms for patronage and the promotion of political objectives and consequently suffer from operational interference by civil society and political appointees.

Public Enterprises (PEs) have also contributed to income redistribution in favour of the rich over the poor, who generally lack the connections to obtain the job contracts or the goods and services they are supposed to provide. Nearly half of all the revenue made from the sale of crude oil between 1973 and 1999 went to public enterprises.

A number of public commissions, wages and salaries review commissions headed by Simeon Adebo (1969), Jerome Udoji (1973), Gamaliel Onosode's Presidential Commission on parastatals (1981) and Al-Hakin in 1984 had undertaken various studies on the performance of public enterprises in Nigeria. Their findings were consistent in revealing that public enterprises were infested with abuse of monopoly powers, bureaucratic bottlenecks, mismanagement, corruption and nepotism.

2.4 REASONS FOR THE PRIVATIZATION AND COMMERCIALIZATION

Some possible reasons are that the government had acceped its inability to manage these enterprises effectively and profitably.

Government lacks the fanatical support to those entrepreneurships. Also government considers Nigeria citizen ripe enough, rich and well versed in the art of entrepreneurship.

1. **The Question of Efficiency:** The lack of efficiency in the public enterprises had been blamed on reasons arising from government proprietorship; the defense cannot be that government cannot mange business effectively. From the relative efficiency of the private enterprises, these public enterprises are likely to become efficient and profitable it they are transferred to the private sector, so as many of them should be sold to private owners for them to perform better.

2. **REVENUE GENERATION TO THE GOVERNMENT :**

   Privatization generates revenue for the government; the revenue generated could be used to finish some economically viable projects which have been abandoned because of the scarcity of funds. By selling out its stock in these enterprises, the government will also save the resources that ate usually pumped into the public enterprises and allow the private sector to reform these enterprises and usher in a new theme of life into them.

3. **BRINGING ABOUT BETTER REWARDING SYSTEM TO GOVERNMENT ORGANIZATION AND MANAGEMENT:**

The pattern of organization in government owned enterprises is such that, it creates conflict and risk of commitment. This is partly due to decision making mechanism and the rewarding system. The decision managing mechanism is such that, the top management and board of directors take decisions without involving the subordinates, more over communication and consultations system are very weak, the subordinates are not properly briefed after decision making coming to the rewarding system. It was based on seniority rather than on the performance of individual workers so that the government hoped that the cases will be bye gone if these enterprises are organized in private sector pattern. In Nigeria, enterprises relation system, the principle of collective bargaining that helps to ensure enterprises peace only exists in the privates sector.

4. **CREATING EMPLOYMENT OPPORTUNITY:**

Privatization and Commercialization will lead to expansion of the economy which will create employment opportunities. This arises from the fact that the revenues generated from privatization and money used to support those industries before, will be used to increase employment opportunities. The government also assumed that the privatized industries will start assumed that the privatized industries will start making profit which they will plough back to expand their business. This in effect will create employment opportunities that will absorb both those, retrained initially and those that are employed.

5. REDUCING GOVERNMENT REGULATION ON THE SOCIETY:

The team of experts from international monetary fund and World Bank that studied the Nigerian economy pointed out that one of the problems of the Nigerian economy is that, the economy is over regulated by the government. This is because the private sector of the economy is directed by the Market forces of demand and supply in the basic of the private enterprises. But the privatization policy as specified in 2006 budget proposed contained a clause that read “the government will divest its interest without being controlled”. This suggests that the privatized industries will be controlled by the government.

2.6 THE IMPACT OF PRIVATIZATION TO THE NIGERIA ECONOMY

The Privatization programme had created a lot of anxiety, suspicions and expectations among Nigerians. While others are coursing for its implementation some have faulted the process of the implementation programme.

According to EL-Rufai former DPE Director General and now Minister of Federal Capital Territory (FCT), "the programme would ensure the inflow of investment, management and technology that would improve and grow the nation's infrastructure service and industries for the benefit f the people. He further states that privatization without competition and injection of cash is bound to be sub-optimal. He said that international, community that a new transparent Nigeria is open for business, to respector, rationalize and improve the efficiency of the public sector, raise funds for financing socially oriented programmes such as poverty alleviation health education among other and to expose his economy to international competition and attracting foreign resources.

According to the Federal Government Blue print on Privatization and Commercialization, its objectives are:

i. To restrict and rationalize the public sector in order to lesson the dominance of unproductive investment in the sector.

ii. To re-orientate the enterprise for Privatization and Commercialization, towards a new horizon of performance improvement, viability and over all efficiency.

iii. To range funds, for financing socio-economic development in such area as health, education and in fracture

iv. To ensure positive recturns on public sector investment in commercialized enterprises, through more efficient management.

v. To check the present absolute dependence on the treasury for funding by parastatals and to encourage them approach the Nigerian capital market to meet their funding requirements.

vi. To initiate the process of gradual cession to the private sector of such public enterprises which are better operated by the public sector.

vii. To create more jobs, acquire new knowledge and technology and expose the country to international competition.

2.7 HOW COUNTRIES PRIVATIZE (METHODS OF SELLING STATE-OWNED ASSETS)

A key decision to be made by he privatizing government is the method through which the state owned asset is transferred to private ownership. This decision is difficult because, in addition to the economic factor such as valuing the assets, privatizations are generally part of an ongoing highly politicized process. Some of the factors that influence the privatization method include:

(1) The history of the assets ownership

(2) The financial and competitive position of the SOE

(3) The governments' ideological view of markets and regulation

(4) The past present and potential future regulatory structure in the country.

(5) The need to pay off important interest groups in privatization

(6) The government ability to credibly commit itself to respect investor's property rights after divestiture.

(7) The capital market conditions and exiting institutional framework for corporate governance in the country.

(8) The sophistication of potential investors

(9) The government's willingness to let foreignness own divested assets

The complexity of the goals of the process means that different countries have used may different method for privatizing many different types of assets. Although financial economists have leaned much about selling assets in well-developed capital market we still have a limited understanding of the determinates and the implications of the privatization method for state owned assets. Theoreticians have modeled some aspects of the privatization process, but to be traceable their models must ignores important factors. Empirical evidence on the determinants of privatization is also limited by the complexity if the goals of the privatization process.

2.8 METHODS OF PRIVATIZATION

Brada (1996) presents an excellent taxonomy of privatization methods. Although the context of his paper is central and eastern Europe his classification of four principle divestment methods is quite general. In addition the provides a review of the success and failures of each of these general approaches in central and Eastern Europe. Of course, there are many variations within each of his four categories and Brada shows many privatizations use combinations of the different types of privatization.

Brada's first category is privatization through restitution. This method is appropriate when land or other easily identifiable property that was expropriated in years past can be returned to either the original owner or to his or her heirs. This form of privatization is rarely observed outside of Eastern Europe, though it has been important there. For example, Brada (1996), reports that up to 10% of the value of state property in the Czech Republic consisted of restitution claims. The major difficulty with this form of privatization is that the records needed to prove ownership are often inadequate or conflicting.

The second method is privatization though sale of state property, under which a government trades its ownership claim for an explicit cash payment. This category takes two important forms. The first direct sales (or asset sales) of state owned enterprises (or some parts thereof) to an individual, an existing corporation, a group of investors. The second form is share issue privatization (SIPs), in which some or all of a government's state in a SOE is sold to investors through a public share offering. These are similar to IPOs in the private sector but where private IPOs are structured primarily to raise revenue, SIPs are structured to raise money and to respond to some of the political factor mentioned earlier.

Brada's (1996) third category is mass or voucher privatization, whereby eligible citizens can use vouchers that are distributed free or at nominal cost to bid for states in SOEs or other assets being privatized. This method has been used only in the transition economies of central and eastern Europe, where it has brought about fundamental changes in the ownership of business assets in those countries, although it has not always changed effective control longer descriptions of the issues that governments in central and Eastern Europe have confronted when designing voucher privatization programs are provided in Bornstein (1994, 1999) Alexandrowicz (1994). Drum (1994) and Shafik (1995).

The final method is privatization from below, through the startup of new private businesses in formerly socialist countries. Havrylyshyn and Mc Ghettigan (1999) also stress the importance of this type of economic growth in the transition economics. Although privatization, from below has progressed rapidly in many regions (including china the transition economics of central and Eastern Europe, Latin America and sub-Saharan Africa).

2.9 EMPIRICAL STUDIES COMPARING PRE-VERSUS POST PRIVATIZATION PERFORMANCE FOR SHARE ISSUE PRIVATIZATIONS (SIPs)

The studies examine how privatization affects from performance by comparing pre-versus post-divestment data for companies privatized via public share offering. Since the first study to be published using this methodology is Megginson, Nash and Van Randenborgh (1994), we will refer to this as the MNR methodology. This empirical procedure has several obvious economic and econometric drawbacks. Of these, selection bias probably causes the greatest concern, since by definition a sample of SIPs will be biased towards very the largest companies sold during any nation's privatization program. Furthermore since governments have a natural tendency to privatize the "easiest" firms first, those SOEs sold via share offering (particularly those sold early in the process) may well be among the healthiest state-owned firms. Another drawback of the MNR methodology is its need to examine only simple, universally available accounting variables (such as assets, sales and not income) or physical units such as number of employees. Obviously, researches must be careful when comparing accounting information generated at different times in many different countries. Most of the studies citied here also ignore (or at best, impurely account for) changes in the macroeconomic or industry over the seven year event window during which they compute pre-versus post privatization performance changes. Finally the studies cannot account for the impact in privatized firms of any regulatory or market opening initiatives that after are launched simultaneously with or immediately after major privatization programs.

Summary of empirical studies comparing pre versus post privatization performance changes for forms privatized Via public share offering: Non-transition Economies.

This table summarized the sample selection criteria methodologies and empirical findings of general recent academic studies of privatization that employ samples from more than one country and more than one industry.

STUDY	SAMPLE DESCRIPTION, STUDY PERIOD AND METHODOLOGY	SUMMARY OF EMPIRICAL FINDINGS AND CONCLUSION
MEGGINSON, NASH AND VAN RANDENBORGH (1994)	Compare 3 years average post-privatization financial and operating performance ratios to the 3-year pre-privatization values for 61 firms from 18 countries and 32 industries from 1961-1989. Tests significance of median changes in post versus pre- privatization period. Also binomial tests for % of firms changing as predicted	Document economically and statistically significant post- privatization increase in input (real sales), operating efficiency, profitability, capital investment spending, and derided payments, as well as significant decreases in Leverage. No evidence of employment declines after privatization, but significant changes in firm directors.
MACQUIEIRA AND ZURIITA (1996)	Compare pre-versus post. Privatization performance of 22 Chilean companies privatized from 1984-1989 use Megginson, Nash and Van Randenborgh (MNR) methodology to perform analysis first without adjusting for overall market movements (as in MNR) then with an adjustment for contemporaneous changes	Unadjusted results identical to MNR significant increases in output, profitability employment, investment and dividend payments. After adjusting for market movement, however, the changes in output employment and liquidity are no longer significant and leverage increases significantly.
BOUBAKI AND COSSET (1998)	Compare 3- year average post-privatization financial and operating performance ratios to the 3-year pre-privatization values for 79 companies from 21 developing countries and 32 industries over the period 1980-992 Tests for the significance of median changes in rate values in post verse pre-	Document economically and statistically significant post- privatization increase in output (real/sales), operating efficiency profitability, capital investment spending, dividend payments and employment as well as significant decreases in leverage. Performance Improvements are

	privatization period. Also binomial tests for percentage of firms changing as predicted	generally even large than those documented by Megginson, Nash and Van Landenborgh. (MNR).
D'SOUZA AND MEGGINSON (1999)	Document offering terms method of sale and ownership structure resulting from privatization of 78 companies from 10 developing and 15 developed countries over the period 1990-1994. Then compare 3-year average post- privatization financial and operating performance ratios to the 3-year pre- privatization values for a sub sample of 26 firms with sufficient data. Tests for the significance of median changes in ratio values in post versus pre-privatization period. Also binomial tests for % of firms changing as predicted	Document economically and statistically significant post- privatization increase in output (real sales), operating officering, and profitability as well as significant decrease in leverage. Capital investment spending increase, but insignificantly, while employment declines significantly. More of the firms privatized in the 1990s are from telecoms and other regulated industries.
VESBRUGE MEGGINSON AND LEE (1999)	Study offering terms and share ownership results for 65 banks fully or partially privatized from 1981 to 1996.	Document moderate performance improvements in OECD countries Ratios preying for profitability, fee income
BOUBAKRI AND COSSET (1999)	Example pre-versus post- privatization performance of 16 African firms privatized through public share offering during the period 1989-1996. also summarize findings of three other studies pertaining to privatization in development countries	Document significantly increased capital spending by privatized firms, but find only significant changes in profitability efficiency output and leverage.
D'OUZA AND MEGGINSON (2000)	Examine pre-versus post- privatization performance changes for 17 national telecommunication companies privatized through share offerings	Finds that profitability, output efficiency, capital spending, number of access lines and average salary reemployed all increases significantly after

	during 1981-1994.	privatization leverage declares significantly
DEWENTER AND MALASTESTS (2000)	Compare pre-versus post- privatization performance of 63 large, high-information companies divested during 1981-1994 over both short term [(+1 to +3) vs. (-3 to -1)] and long term [(+1 to + 5) vs. (-10 to -1)] horizons. Also examine long run stock return performance of privatized firms and compare the relative performance pf a large sample (1500 firm-years) of state and privately-owned firms during (1975, 1985 and 1995).	Document significant increases in profitability (using net income) and significant decreases in leverage and labor intensity (employees + sales) over both short and long-term compares in hormones. Operating profits increase prior to privatization but not after. Document significantly positive long-term (1-5years) abnormal/stock return mostly concentrated in Hungary, Poland and the UK result also strongly indicate that private firms out perform state-owned firms.

In spite of all the draw backs, studies employing the MNR methodology have two key advantages. First they are the only studies that can examine and directly compare large samples of economically significant firms, from different industries, privatized in different countries, over different firm period. Since each firm is compared to itself (a few years earlier) using simple, inflation adjusted sales and income data (that produce results in simple percentages) this methodology allows one to efficiently aggregate multi-national, multi-industry results. This point is made clear in the table below, which summarizes the result of three studies that use precisely the same empirical process and fest methodology.

SUMMARY RESULTS FROM THREE EMPIRICAL STUDIES OF THE FINANCIAL AND OPERATING PERFORMANCE OF PRIVATIZED FIRMS (compared to their performance as states owned enterprise)

Variables and studies cited	Number of observation	Mean value before Mean value after privatization	Mean value after privatization	Mean change due privatization	E-statistic for Difference in performance	% of firms with improved performance	Z-station for significance of % changes
Profitability (Net income sales)							
Megginson Nash and Van Randenborgh (1994)	55	0.0552 (0.0442)	0.0799 (0.0611)	0.0249 (0.0140)	3.15*** 3.16***	69.1 62.8	3.06*** 2.29***
Bonbakri & Cosset (1998)	78	0.0493 (0.0460)	0.1098 (0.0799)	0.0605 (0.0181)			
D' souza & Megginson (1997)	78	0.14 (0.05)	0.17 (0.08)	0.03 (0.03)	3.92***	71	417***
Weighted average	218[0]	0.0862	0.1257	0.0396		67.6	
Efficiency (real Sale per employee)							
Megginson Nash and van Randenborgh (1994)	51	0.956 (0.942)	1.062 (1.055)	0.1064 (0.1157)	3.66***	85.7	6.03***
Boubakri & cosset (1998)	56	0.9224 (0.9056)	1.1703 (1.1265)	0.2479 (0.2414)		80.4	460***
D'souza & Megginson (1999)	63	1.02 (0.87)	1.23 (1.16)	0.21 (0.29)	4.79***	79	5.76***

Weighted Average	170	0.9733	1.1599	0.1914		81.5	
Investment (capital expenditure+ sales)							
Megginson Nash and van randenborgh (1994)	43	0.1169 (0.0886)	0.1689 (0.1221)	0.0521 (0.0159)	2.35***	67.4	2.44**
Boubakri & cosset (1998)	48	0.1052 (0.0649)	0.2375 (0.1043)	0.1322 (0.0157)	2.28**	62.5	1.74*
D'souza & Megginson (1999)	66	0.18 (0.11)	0.17 (10.10)	0.01 (-0.01)	0.80	55	0.81
Weighted Average	157	0.1405	0.1900	0.0493		60.6	
Output (real sales (adjusted by CPI)							
Megginson Nash and van randenborgh (1994)	57	0.899 (0.890)	1.140 (1.105)	0.241 (0.190)	4.77***	75.4	4.46***
Boubakri & cosset (1998)	78	0.9691 (0.9165)	1.220 (1.123)	0.2530 (0.1892)	5.19***	75.6	4.58***
D'souza & Megginson (1999)	85	0.93 (0.76)	2.70 (1.86)	1.76 (1.11)	7.30***	88	10.94***
Weighted Average	209[0]	0.9358	1.7211	0.8321		80.3	
Dividend (cash Dividends + Sales)							
Megginson Nash and van randenborgh (1994)	39	0.0128 (0.0054)	0.0300 (0.0223)	0.0172 (0.0121)	4.63***	89.7	8.18***
Boubakri & cosset (1998)	67	0.0284 (0.0089)	0.0528 (0.0305)	0.0244 (0.0130)	4.37***	76.1	4.28***

D'souza & Megginson (1999)	51	0.015 (0.00)	0.04 (0.02)	0.025 (0.02)	4.98***	79	5.24***
Weighted Average	106	0.0202	0.0655	0.0228		80.4	

a: number exceeds 211 because of over aping firms in different satrapies

*** Indicates significances at the 1% level

** Indicates significance at the 5% level

* Indicates significance at the 10% level

All these studies offer at least limited support for the proposition that privatization is associated with significant improvements in the operating and financial performance for SOEs divested via public share offering. Two of these studies focus on specific industries (banking [Verbrugge, et al (1999)] and telecommunications (D'souza and Megginson (2000)]), one examines data from a single country (chile Macquieira and Zurita (1996)], and the other six employ multi-industry, multi-national samples. Five of these studies. MNR (1994), Bonbabri and Csset (1998), D'souza an Megginson (1999, 2000) and Boardman Lauren and Vining (2000) document economically and statistically significant post privatization increase in real sales (output) profitability, efficiency (sales per employers) and capital spending coupled with significant declines in Leverage. Macquieria and Zurita find similar results for chillum firm using data that is not adjusted for changes experienced by other Chilean firms over the study period but many of these improvements cases to be statistically significant once such adjustments are made.

CHAPTER THREE

METHODOLOGY

3.1 RESEARCH METHODOLOGY

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 frame work of investigating a research problem, in other works it refers to the methods used in investigating and analyzing 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. Two main forms of data collection exit which are the primary and secondary source.

Secondary data will be used in this research work and will be obtained from the central bank of Nigeria's (CBN) statistical bulletin. The method adopted by the work is the multiple regressions with ordinary least square (OLS) techniques of estimation.

3.2 MODEL SPECIFICATION

In this section we pursue our objective further by specifying out model. The model is to verify the performance and impact of privatization and commercialization on Nigeria economy. This approach is to modify the model by specifying a multiple regression equation made up of the log of real gross domestic product (lrgdp) as function of the independent variables (i.e. Log of private investment (lpin), log of government expenditure (lgovexp), inflation rate (Inf).

Lrgdp = f(lpin, lgovexp, inf))

Lrgdp = b0+ b1lpin + b2 logevexp + b4 inf + u

DEFINITION OF VARIABLES

Lrgdp	=	Log of real gross domestic product
Lpin	=	Log of private investment
Inf	=	inflation rate
u	=	Error term

3.3 METHOD OF EVALUATION

Considering the nature of the study and the fact that Log of private investment being the major explanatory variable is a dependent variable, we evaluate the impact of the variable in a question on GDP with the pre-privatization and commercialization era serving as a bench mark.

Some statistical econometric tests will be used to evaluate the regression, some of which include the coefficient of multiple determination R^2 which measures the overall significance, the data coefficients measures the relative significance of each of the independent variables t-statistic, Durbin 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 is considered to be 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 over other methods. The log of private investment is the main explanatory variable, while government expenditure and inflation are control variables.

3.5 RESEARCH APPROACH

The approach used in this study is basically obtained from secondary sources. This is regarded as the plan structure and strategy of investigation conceived 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 central bank of Nigerian (CBN) statistical bulletin.

CHAPTER FOUR.

PRESENTATION AND ANALYSIS OF RESULT.

4.1 Presentation and Interpretation of Result:

Dependent variable: Real Gross Domestic Product.

Method: Ordinary Least Square.

Period of study: 1981-2010

Included Observations: 30

Variable	Coefficient	Standard error	t-statistics	t-prob.	{95% Confidence Interval}
Constant	0.4401855	0.2891464	1.52	0.140	-0.1541634 1.034534
LPIN	0.0793637	0.570239	1.39	0.176	-0.0378506 0.196578
LGOVEXP	1.043627	0.363132	28.74	0.000	0.968984 1.11827
INF	-0.0013613	0.0023707	-0.57	0.571	-0.0062343 0.0035117

R^2 = 0.991 F{3, 26} = 1657.61{0.0000} Prob > F = 0.0000

DW = 1.662682 Root MSE =0.22203 for 3 variables and 30 observations.

From the above, the interpretation of the result as regard the coefficient of various regressors is stated as follows:

The value of the intercept which is 0.4401855 shows that the Nigerian economy will experience a 0.4401855 increase when all other variables are held constant.

The estimate coefficients which are 0.0793637 {LPIN} shows that a unit change in LOG of PRIVATE INVESTMENT will cause a 0.0793637% increase in Real GDP, 1.043627 {GOVEXP} shows that a unit change in GOVERNMENT EXPENDITURE will cause a 1.043627% increase in Real GDP, -0.0013613 {INF} shows that a unit change in INFLATION will cause a -0.0013613% decrease in Real GDP.

4.2 ECONOMIC APRIORI CRITERIA:

The test is aimed at determining whether the signs and sizes of the results are in line with what economic theory postulates. Thus, economic theory tells us that the coefficients are positively related to the dependent variable, if an increase in any of the explanatory variables leads to a decrease in the dependent variable.

Therefore, the variable under consideration and their parameter exhibition of a priori signs have been summarized in the table below.

This table will be guarded by these criteria

When $\beta > 0$ = conform.

When $\beta < 0$ = not conform.

Variables	Expected signs	Estimate	Remark
LPIN	+	$\beta > 0$	Conform
LGOVEXP	+	$\beta > 0$	Conform
INF	+	$\beta < 0$	Not conform

From the above table, it is observed that all the variables conform to the economic theories.

A positive relationship which exists between LPIN, GOVEXP and RGDP indicates that an increase in LPIN and GOVEXP will result in a positive change in the Growth Rate of RGDP. This conforms to the priori criteria because an increased or high LPIN and GOVEXP over the years will increase Inflation in the economy.

4.3 STATISTICAL CRITERIA {FIRST ORDER TEST}

4.3.1. Coefficient of Multiple Determinants {R^2}:

The R^2 {R-Squared} which measures the overall goodness of fit of the entire regression, shows the value as 0.9911 = 99.11% approximately 99%. This indicates that the independent variables accounts for about 99% of the variation in the dependent variable.

4.3.2. The Student's T-test:

The test is carried out, to check for the individual significance of the variables. Statistically, the t-statistics of the variables under consideration is interpreted based on the following statement of hypothesis.

H_0: The individual parameters are not significant.

H_1: The individual parameters are significant.

<u>Decision Rule:</u>

If t-calculated > t-tabulated, we reject the null hypothesis {H_0} and accept the alternative hypothesis {H_1}, and if otherwise, we select the null hypothesis {H_0} and reject the alternative hypothesis {H_1}.

Level of significance = α at 5% =

= 0.025

Degree of freedom: n-k

Where n: sample size.

K: Number of parameter.

The t-test is summarized in the table below:

Variables {t-value}	t-tab	Remark
LPIN {1.39}	± 2.056	Insignificant
LGOVEXP {28.74}	± 2.056	Significant
INF{-0.57}	± 2.056	Insignificant

The t-statistics is used to test for individual significance of the estimated parameters {β_1, β_2 and β_3}.

From the table above, we can deduce that LGOVEXP {28.74} is greater than ±2.056, which represents the t-tabulated implying, that LGOVEXP is statistically significant.

On the other hand, the intercept {1.52}, LPIN {1.39} and INF {-0.57} is less than the t-tabulated {±2.056} signifying that Intercept, LPIN and INF is statistically insignificant.

4.3.3. F-Statistics:

The F-statistics is used to test for simultaneous significance of all the estimated parameters.

The hypothesis is stated;

H_0: $\beta_1 = \beta_2 = \beta_3$

H_1: $\beta_1 \neq \beta_2 \neq \beta_3$

Level of significance: α at 5%

Degree of freedom: $V_1 = k-1$ $V_2 = N-K$ d/f

Decision Rule:

If the f-calculated is greater than the f-tabulated {f-cal > f-tab} reject the null hypothesis {H_0} that the overall estimate is not significant and conclude that the overall estimate is statistically significant.

From the result, f-calculated {1657.61} is greater that the f-tabulated {2.93}, that is, f-cal > f-tab. Hence, we reject the null hypothesis {H_0} that the overall estimate has a good fit which implies that our independent variables are simultaneously significant.

4.4 ECONOMETRICS CRITERIA.

4.4.1. Test for Autocorrelation:

One of the underlying assumptions of the ordinary least regression is that the succession values of the random variables are temporarily independent. In the context of the series analysis, this means that an error {Ut} is not correlated with one or more of previous errors {U_{t-1}}. The problem is usually dictated with Durbin-Watson {DW} statistics.

The Durbin Watson's test compares the empirical d* and du in d-u tables to their transforms $\{4-d_L\}$ and $\{4-d_U\}$.

Decision Rule:

- If $d^* < D_L$, then we reject the null hypothesis of no correlation and accept that there is positive autocorrelation of first order.

- If $d^* > \{4-d_L\}$, we reject the null hypothesis and accept that there is negative autocorrelation of the first order.

- If $d_U < d^* < \{4-d_U\}$, we accept the null hypothesis of no autocorrelation.

- If $d_L < d^* < d_U$ or if $\{4-d_U\} < \{4-d_L\}$, that test is inconclusive.

Where: d_L = Lower limit

D_U = Upper limit

D^* = Durbin Watson.

From our regression result, we have;

$D^* = 1.662682$

$D_L = 1.214$

$D_U = 1.650$

$4-d_L = 2.786$

$4-d_U = 2.35$

Conclusion:

Since if d_L {1.214} < d* {1.662682} < d_U {1.650} or if {4-d_U} {2.35} < {4-d_L} {2.786}, that test is inconclusive.

4.4.2. Normality Test for Residual:

The Jarque-Bera test for normality is an asymptotic, or large-sample, test. It is also based on the ordinary least square residuals. This test first computes the skewness and kurtosis measures of the ordinary least square residuals and uses the chi-square distribution {Gujarati, 2004}.

The hypothesis is:

H_0 : $X_1 = 0$ normally distributed.

H_1 : $X_1 \neq 0$ not normally distributed.

At 5% significance level with 2 degree of freedom.

JB = + = 8.73

While critical JB > $\{X^2_{\{2\}}df\}$ = 5.99147

Conclusion:

Since 8.73 > 5.99147 at 5% level of significance, we reject the null hypothesis and conclude that the error term do not follow a normal distribution.

4.4.3. Test for Heteroscedasticity:

Heteroscedasticity has never been a reason to throw out an otherwise good model, but it should not be ignored either {Mankiw Na, 1990}.

This test is carried out using White's general heteroscedasticity test {with cross terms}. The test asymptotically follows a chi-square distribution with degree of freedom equal to the number of regressors {excluding the constant term}. The auxiliary model can be stated thus:

$Ut = \beta_0 + \beta_1 LPIN + \beta_2 GOVEXP + \beta_3 INF + \beta_4 LPIN^2 + \beta_5 GOVEXP^2 + \beta_6 INF^2 + Vi.$

Where Vi = pure noise error.

This model is run and an auxiliary R^2 from it is obtained.

The hypothesis to the test is stated thus;

H_0: $\beta_1 = \beta_2 = \beta_3 = \beta_4 = \beta_5 = \beta_6 = 0$ {Homoscedasticity}

H_1: $\beta_1 \neq \beta_2 \neq \beta_3 \neq \beta_4 \neq \beta_5 \neq \beta_6 = 0$ {Heteroscedasticity}.

Note: the sample size {n} multiplies by the R^2 obtained from the auxiliary regression asymptotically follows the chi-square distribution with degree of freedom equal to the number of regressors {excluding constant term} in the auxiliary regression.

Decision Rule:

Reject the null hypothesis if $X^2_{cal} > X^2$ at 5% level of significance. If otherwise, accept the null hypothesis. From the obtained results, X^2_{cal} = 9.80 < X^2 0.05 {9} = 16.9 we therefore reject the alternative hypothesis of heteroscedasticity showing that the error terms have a constant variance and accept the null hypothesis showing that the error terms do not have a constant variance.

4.4.4 Test for Multicollinearity:

The term Multicollinearity is due to Ragnar Frisch. Originally it meant the existence of a "perfect" or exact, linear relationship among some or all explanatory variables of a regression model. The tests were carried out using correlation matrix. According to Barry and Feldman {1985} criteria; "Multicollinearity is not a problem if no correlation exceeds 0.80".

	LPIN	LGOVEXP	INF	REMARK
LPIN	1.000			-
LGOVEXP	0.7528	1.000		Nm
INF	0.1264	-0.2368	1.000	Nm, Nm

Where M = Presence of multicollinearity

Nm = No multicollinearity.

From the above table, we can conclude that multicollinearity do not exists in all the variables. This result means that there is no existence of a perfect or exact, linear relationship among all explanatory variable.

CHAPTER FIVE

SUMMARY OF FINDINGS, CONCLUSION AND RECOMMENDATIONS

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

5.1 SUMMARY OF FINDING

The summary of the results drawn fro the empirical findings are itemized below:

1. There is a positive but insignificant impact of private investment on economic growth of Nigeria over the years.
2. This study under the time frames of 1981-2010 (30 years), private investment and government expenditure has a positive impact on economic growth but inflation has a negative impact on the economic growth. This implies that an increase in private investment and government expenditure will cause the economy to grow while a unit change in inflation will decrease the rate of growth in Nigeria economy.
3. There is a negative and insignificant impact of inflation on the Nigerian economy.

4. This study also has it that private investment is insignificant in the Nigerian economy.

5.2 CONCLUSION

In conclusion, privatization has been seen as a mean to governments interested in fostering a new division of labor between the public and private sectors in order to increase the effectiveness and contribution to the development of both sectors. Therefore the success of privatization should be judged not in terms of the sale, the pries paid to the government or expansion of enterprises sold but rather on the basis of wealth.

It is very clear that economics cannot be excluded rom polities and it is well known that the basic problem facing public enterprises on Nigeria is control or management. This cannot be addressed through privatization. Honestly, the exercise reduces real income and encourages people in economic recovery.

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

It is therefore important to note that the impact privatization and commercialization of public enterprise on the economic growth of Nigeria can only take effective progress when the enterprises are wholly or partially in some case handled and controlled by the private owner when will not relent in the optimization of profitable enterprises.

5.3 RECOMMENDATIONS

Based on the research findings of this study, for the private and foreign sector to be resumed of the governments good faith towards privatization and commercialization after the declaration its intentions it should go about if gradually and with root and branch rapacity.

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

a. The government should make an open declaration that private sector autonomous investment would be allowed to establish electricity generating companies, water supply companies, telecommunication and postal services, additional private airlines and at the same time take steps to introduce management of corresponding public sector institutions.

b. 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% of its existing holdings in commercial banks and insurance companies and their shares should be quoted in the stock exchange.

c. This research work has it that inflation causes a decrease in the growth of real gross domestic product, so therefore government and policy makers should adopt policies that will help to reduce inflation in the economy in order to improve economic growth.

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