

**An Evaluation of Privatization and Commercialization of Public Enterprise in Nigeria:  
PHCN and BEDC in Edo State as a Focal Point**

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**Abstract**

This paper examines the Privatization and Commercialization of Public Enterprise in Nigeria as a democratic sustainability. It evaluates how effective the privatization and commercialization policy have been able to restructure the political economy of Nigeria to the tune of alleviating the yearnings and aspirations of the working class and/or the Nigeria citizens. Since the early 1990s, the issue of Good Governance has become an important concept in the International Development debates and Policy discourse. Over the last decade however, the gradual accumulation of indicators and research based on them has provided broad support for the arguments that good governance is necessary to achieve sustainable growth and development, particularly in Developing Countries like Nigeria nation. In the course of this study, the Privatization and Commercialization of Public Enterprise in Nigeria, A Case Study of PHCN/BEDC in Edo State were brought to the fore while the objectives of the study are well spelt out. Hypotheses were postulated and the Group Theory was used to explicate the works. Data were obtained from both primary and secondary sources. From the primary sources, the survey method, that is, the use of questionnaire designed and adopted. Data obtained from this method were analyzed with the aid of Simple Percentage. Thereafter, the five researchable hypotheses were tested and accepted while the null hypotheses were rejected. The implication is that there was relationship between the dependent and independent variables. Generally, the paper brought to focus that the Privatization and Commercialization of Public Enterprise is a collective effort in reaching a compromise in the management of Public Enterprise in Nigeria and it has contributed immensely to the growth and development of public enterprise elsewhere. Finally, it suggests policy prescription and recommendation which are

aimed at repositioning Public Enterprise not only in Edo State in particular, but also in Nigeria in general.

**Keywords:** Commercialization, Management, Policy, Public, Effective, Efficiency

### Introduction

Since the early 1990s, the issue of Good Governance has become an important concept in the International Development debates and Policy discourse. Over the last decade however, the gradual accumulation of indicators and research based on them has provided broad support for the arguments that good governance is necessary to achieve sustainable growth and development, particularly in Developing Countries. According to Nature (2006), the issue of good and effective governance has gained universal currency as Nations and International Institutions seek appropriate mechanisms to enhance the role of government by making it more transparent, accountable, responsive and responsible to the constituencies. We will take cursory view of the concept and juxtapose it with the functions of politics. This general theoretical escapade will set the stage for zeroing in on Nigeria as a focal point for the 21<sup>st</sup> Century. The intent is to identify gaps in the Nigerian polity and prescribe some remedial measures to bridge those gaps. Etymologically, the word governance derives from the Greek verb (*kubernáo*) which means *to steer* and was used for the first time in a metaphorical sense by Plato and adopted by other languages (Web, 2011). Ever since, Governance has come to mean the act of governing and relates to decisions that define *expectations*, grant power, or verify performance; consists of either a separate process or part of management or leadership processes; involve processes and systems that are typically administered by a government (Igbinedion, 2013). Simply put, "governance" is what a "government" does. It might be a Geo-Political Government (Nation-State), a Corporate Government (Business Entity), a Socio-Political Government (tribe, family *etc.*), or any number of different kinds of government. While Governance is the physical exercise of management of power and policy, Government is the instrument (usually collective) that does so. Government refers to the

*“structure of principles and rules determining how a state or organization is regulated...; the sovereign power in a nation or state; and an organization through which a body of people exercises political authority”* (Igbinedion, 2013).

In the era of post colonialism, Nigeria has at one time or another, embarked upon certain policies that have political economic implications. For instance, from 1960 to date, Nigeria has introduced indigenization and nationalization policy, operation feed the Nation (OFN), Austerity measure, structural adjustment programme (SAP), Deregulation of oil sector, Resource control Privatization and commercialization of public enterprises to

mention but a few. The critical question here remains. How many of these policies have been able to restructure the political economy of Nigeria to the tune of alleviating the yearnings and aspirations of the working class (Uhunmwuango and Epelle, 2011).

The world no doubt is moving towards capitalization and any nation that is not moving towards this direction is seen as either not developing or even retrogressing. A capitalist economy is a free market economy which allows most economic decisions to be guided by the twin forces of demand and supply. Since capitalization discourages monopoly but encourages competitive market, it therefore enhances efficiency and high productivity which is very vital in any developing country's economy. In Nigeria, most government owned industries and establishments remain citadels of corruption, studies in efficiency and consequently a heavy drain on the economy. As a means of curbing this menace, the Brettonwoods institutions (IMF & WORLD BANK) have advocated the twin policies of privatization and commercialization. Incidentally, Nigeria has fully adopted this policy and is embarking on it with frenzy.

Basically, public enterprise in Nigeria are an extension of the executive arm of the State. They are to that extent a child of decentralization of governance. The need to allow the government concentrate on direct governance dictated establishment of public enterprise in Nigeria (Azelama, 2002). The decentralization also had the advantage of giving the enterprise a required level of autonomy that would facilitate taking and implementing decisions for managerial efficiency. While presenting the bill for establishment of Coal Corporation to the Legislative Council in 1950 for instance, the Secretary of State made a statement thus:

“Our intention is to give commercial concerns operated by Government greater freedom. It is our intention to cut the undesirable effects of over concentration. (Tokunbo, 1990)”.

Privatization and Commercialization system, despite its wide acceptance and usage, have exhibited some difficulties in the course of its operations. Consequently the emerging issues include:

1. Does the Privatization and Commercialization Policy have viable tools for addressing injustice in the System?
2. Does Privatization and Commercialization Policy free top management for greater administrative responsibilities in the System?
3. To what extent does the Privatization and Commercialization Policy provide specialized advisory services to the Management?
4. Does the Privatization and Commercialization Policy provide the premise for

managing ad-hoc but sensitive tasks?

5. To what extent does the Privatization and Commercialization Policy provide the premise for training young administrative officers to take over the management of the Enterprise in Nigeria?

### **Problem**

It is an incontrovertible statement of fact that the classical economist treats the worker like commodity; subject him or her to the natural laws of the market forces: demand and supply mechanism. He (the classical economist) considers workers as undifferentiated and passive instruments in the production process (Fagbadebo, 2009). In capitalist economies, structured on the theoretical foundation built by the classical economists, the employer exercises control as the legal owner of the means of production without any form of 'say' conceded to the worker in the production process.

In the words of Azelama, as part of the reactions to the global economic recession of the 1980s and with some identifiable ideological underpinnings, many countries of the world have been carrying out far reaching economic restructuring programmes. Prominent among them is the policy of privatization and commercialization. In Nigeria, this policy was inherited by the Obasanjo's Civilian Administration (Azelama, 2002)

Privatization and commercialization of public enterprises is a vital and viable tool for the upliftment of a country's political economy, more especially the developing countries like Nigeria. Regrettably, the problems facing this privatization and commercialization policy 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 programme are being hindered. In trying to look into these discrepancies and proffer a way forward towards a positive state of privatization and commercialization of public enterprises in Nigeria, this research work emanated. Hughes gives two basic reasons for these reforms/policy which have become world wide phenomena. The first reason is the need for reduction of government activities. The second reason is to tackle the problem of low efficiency, control and accountability which is more detectable in public enterprises than other parts of the public sector on one hand and the private sector on the other (Hughes, 1998). It is a vital element of public enterprise

management to ensure that the employee work together in harmony, get adequately remunerated, get appropriate non-human inputs for their work and attain the minimum expected level of productivity. This element includes provision of adequate opportunities for growth, development, self-actualization etc., for the employee. Industrial disputes in public enterprises have sensitive political implications which go beyond the public enterprise as an organization. This is because apart from the fact that people assess the success of a government by the performance of public enterprises, failure of these enterprises especially public utilities are easily felt by the people.

In a nutshell, financial problems in Nigeria Public Enterprises are intertwined with their management problems. Infact, management problems caused financial problems while financial problems instigated management problems (Ayodele, 2008).

### **Objectives**

The specific objectives are:

- (a) To determine whether financial management goals has been a viable tool for non-performance of public enterprises in Nigeria.
- (b) To determine to what extent the management takes financial management planning into consideration.
- (c) To ascertain the extent to which the management seek the end-users/people relevance, performance and survival of the enterprise.
- (d) To examine whether the management adopt the use committee system in its operation.
- (e) To find out whether there are annual budgeting for the enterprise.

### *Hypotheses*

In order to achieve these objectives, the following research hypotheses were formulated:

1. There is no significant relationship between financial management goals and viable tool for non-performance of public enterprise in Nigeria.
2. There is no significant relationship between the management and the financial management planning .
3. There is no significant relationship between the management seeking end-users opinion and performance/survival of the enterprise.
4. There is no significant relationship between the management and the use of Committee system in the management of its operation.
5. There is no significant relationship between the management and the proposal for annual budgeting for the enterprise.

### **Theoretical Exposition**

Karl Marx was in many respects the most influential political theorist of the 19<sup>th</sup> century. He sought to combine factual analysis and political prescription in a thorough survey of the modern economic system. Arguing that “the history of all hitherto existing society is the history of the class struggles,” and that liberal governments and ideology were merely agents of the exploiting owners of property. Marx advocated the abolition of private property and predicted the demise of capitalization after a sense if receiving crises. The abolition of property and therefore of class exploitation would make possible a situation in which individual will contribute according to their abilities and take according to their needs. The state, following a transitional period in which the working class would rule, would eventually wither away. Marx’s view of human history is both profoundly pessimistic and profoundly optimistic. Its pessimism has in his belief that history reflects the oppression of the many by a small minority, who thereby secure economic power.. First, Marx Believed that technical innovations bring about new ways of meeting human needs and make it increasingly possible for people to satisfy their deepest wants and to develop and perfect their individual capacities. Second, Marx claimed to have proved that the long history of oppression would soon end when the masses rise up and usher in a revolution that will create a classless utopian society (Wikipedia, 2021).

### **Pluralist Approach**

Classical pluralism has the belief that politics and policy decision making is located mostly in the governmental framework, but many on governmental groups are using their resources to exert influence. The central question for classical pluralism is how power is distributed in western democracies. Groups of individuals try to minimize their interests. Lines of conflict are multiple and shifting. There may be inequalities but they tend to be distributed and evened out. Any change under this view will be slow and incremental as groups have different interest and may act as “veto groups” to destroy legislation that they do not agree with .The existence of diverse and competing interests is the basis for a democratic equilibrium and is crucial for obtaining of goals by individuals.

Pluralists stress civil rights, such as freedom of expression and organization and an electoral system with at least two parties. On the other hand, since the participants in this process constitute only a tiny fraction of the populace, the public acts mainly as by-standers. This is not necessarily undesirable: political issues require continuous and expert attention which the average citizens do not have. The important theorists of pluralism are Robert Dahl and Martins Lipset (2010).

### Methodology

This paper adopted a descriptive survey method. The survey was based on selected respondents in eight Local Government in Edo State as a focal point. The scope of the study is therefore restricted to years 2010 to 2020. The population of the study consist of 250 base on two categories (Senior and Junior) staff of eight Local Government Area of Edo State (see table one). Out of this number, one hundred and seventy of them met our criteria and therefore form our sample size as can be seen in table one below:

**TABLE 1: POPULATION OF STUDY**

S/No	Local Government Areas	Category of Respondents	No. of Returned Questionnaires	No. of Not Returned/Invalid Questionnaires	Total No. of Sampled Respondents
1.	Uhunmwonde	Senior Staff	16	6	31
		Junior Staff	5	4	
2.	Orhionmwon	Senior Staff	17	8	31
		Junior Staff	4	2	
3.	Egor	Senior Staff	18	7	32
		Junior Staff	4	3	
4.	Ikpoba-Okha	Senior Staff	15	7	31
		Junior Staff	6	3	
5.	Oredo	Senior Staff	17	6	32
		Junior Staff	5	4	
6.	Ovia South West	Senior Staff	17	8	31
		Junior Staff	4	2	
7.	Ovia North East	Senior Staff	18	7	31
		Junior Staff	4	3	
8.	Esan Central	Senior Staff	16	6	31
		Junior Staff	5	4	
<b>TOTAL</b>			<b>170</b>	<b>80</b>	<b>250</b>

**Source:** Field Survey, 2021.

Both primary and secondary sources of data were explored in trying to generate data for this study. The specific information required for the study was An Evaluation of Privation and Commercialization Policy of Public Enterprise in Nigeria, Edo State as a focal point, leakages in the administrative mechanism put in place, among others. The questionnaire formed the main instrument used in generating primary data while documented information on prints that were relevant to this study constituted the secondary source of generating data. To complement the information received through the questionnaire,

respondents were also interviewed. As the research was based on attitude and opinions, the statistical tools employed in analyzing responses included tables and simple percentages. All the one hundred and seventy copies of the questionnaire distributed to the respondents studied were duly completed and returned in a useable form. The Statistical Package for Social Sciences (SPSS) was used for the data analysis.

### Demographic Data

Out of all the one hundred and seventy respondents, eighty (47%) of them were married; fifty (29%) were single while twenty one (13%) were divorced. The remaining nineteen (11%) were either widows or widowers. Thirty (18%) of them were within the age bracket of 18 – 25, Fifty (29%) were between the age bracket of 26-35 years, while eighty (47%) were within the age bracket of 36-45 years. The remaining forty six years and above were ten (6%).

### TABLE 2: Hypothesis 1

There is no significant relationship between financial management goals and viable tool for non-performance of public enterprise in Nigeria.

Responses	No. of Respondents	Percentage
Yes	110	65
No	60	35
Total	170	100

#### Source: Statistical Analysis

Table 2 showed that 110 (65%) of the total respondents agreed that there was no effective financial management goals in place at Public Enterprise in Nigeria. Thereby impacted negatively on people to enjoy the dividends of democracy in Edo State in particular and Nigeria in general.

Therefore, hypothesis one which states that there is no significant relationship between financial management goals and viable tool for non-performance of public enterprise in Nigeria is accepted.

### TABLE 3: Hypothesis 2

There is no significant relationship between the management and the financial management planning.

Responses	No. of Respondents	Percentage
Yes	105	62
No	65	38
Total	170	100

#### Source: Statistical Analysis

Table 3 showed that 105 (62%) of the respondents agreed that there was correlation between management and the financial management planning while 65 (38%) were not satisfied or disagreed.

**TABLE 4: Hypothesis 3**

There is no significant relationship between the management seeking end-users opinion and performance/survival of the enterprise.

Responses	No. of Respondents	Percentage
Yes	120	71
No	50	29
Total	170	100

**Source: Statistical Analysis**

Table 4 showed that 120 (71%) of the respondents agreed that the management did not seek end-users opinion before embarking on the privatization and commercialization policy and the performance/survival of the Enterprise substantially led to economy downturn and hardship on the citizenry of the state while 50 (29%) disagreed with the opinion.

Therefore, the hypothesis which states that there is no significant relationship between the management seeking end-users opinion and performance/survival of the enterprise was accepted.

**Findings Based On Hypotheses**

Based on the analysis of the hypotheses, all the research hypotheses were positive which implied that

**(H<sub>1</sub>-3)** were accepted.

More so, the study revealed that the programme of privatization and commercialization is a major opportunity for reform of Nigeria’s ailing public enterprises and to prepare them to save the needs of the Nigerian economy in the 21<sup>st</sup> century.

1. Furthermore, this paper highlighted several challenges and solutions as per the findings in the hypotheses carried out in the research. However, it was found that the application of necessary mechanisms in checkmating the excess of the Management team of the Public Enterprise will be made more efficient more accountable and more responsible to the needs of the clientele it is meant to be serving the Nigerian.
2. There is therefore the need for the Nigerian Public Enterprise to benefit tremendously in the creation of new investment opportunities and a better investment climate.

3. The performance of the Nigerian Capital Market will be enhanced greatly, as well the growth potentials of the Nigerian economy. But, what lessons are there for Nigeria, Africa and the Third world countries undertaking similar programmes?
4. According to Adoga (2008), our experience in Nigeria points to the fact that it is difficult, if not impossible, for the government in developing countries to divest its interest in enterprises completely. In many African countries, the institutional infrastructures for viable divestiture do not exist.

There is also the need for researchers to investigate more on how best to govern and improve on the substantial part of the public enterprise of Nigeria. See figure 1 below for more details of the Nigerian Political map.

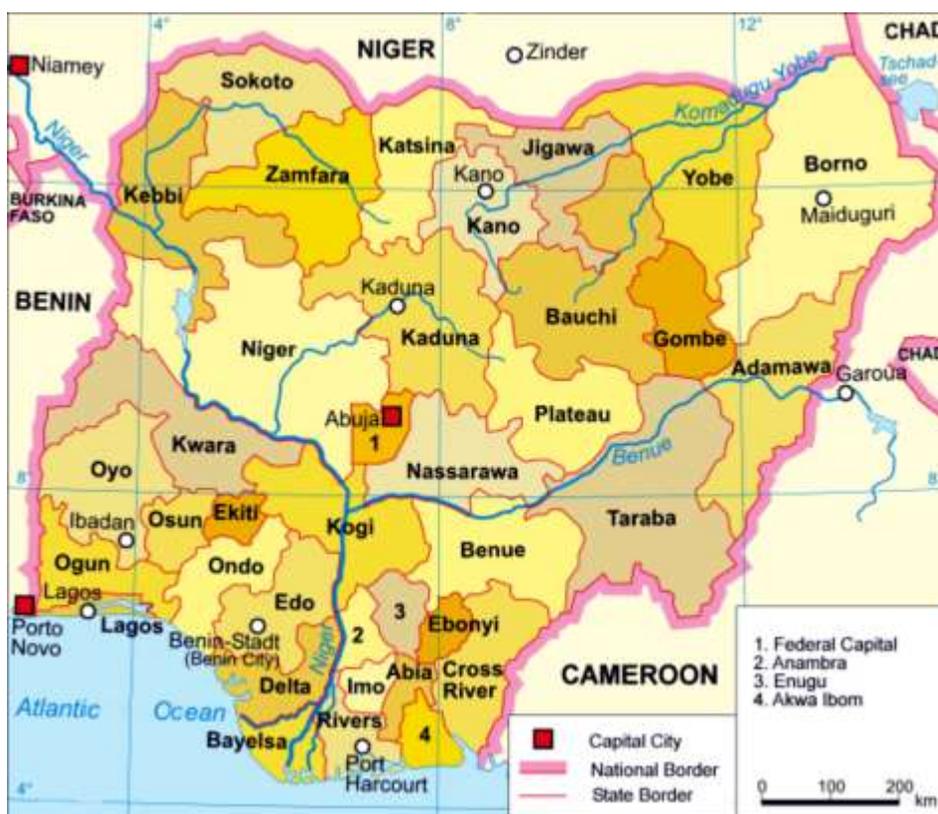


Figure 1: Political map of Nigeria  
 Source: Wikipedia caught 20 June, 2021.

### **Conclusion and Recommendations**

For the high point of this study, data covering the period 2010 to 2020 were collected from the eight Local Government Areas in Edo State. This study investigated an evaluation of Privation and Commercialization Policy of Federal Government with particular reference to Edo State as a focal point.

Data obtained from this method were analyzed with the aid of Simple Percentage. Thereafter, the five researchable hypotheses were tested and accepted while the null hypotheses were rejected. The implication is that there was relationship between the dependent and independent variables. Generally, the paper brought to focus that Privatization and Commercialization of Public Enterprise is a collective effort in reaching a compromise in the management of Nigeria Public Sector in Nigeria and it has contributed immensely to the growth and development of Public Enterprises elsewhere but Nigeria experience is difference.

### **Recommendations**

Haven gone this far gathering problems that have continued to pose a threat to full implementation of privatization and commercialization programmes in Nigeria, the following solution became necessary for real privatization objectives to be achieved:-

1. Capturing the confidence of labour: Government should endeavor to win over labour's acceptance of privatization by giving them ownership of shares in the enterprises. Workers could be allocated a percentage of the shareholding at a special discounted price. There is need for good follow up on privatized enterprises, there is need to keep a record of accurate figures on pre- and post-privatization employment levels including statistics to show whether employment is declining or increasing to calm the fear of labour unions. Other statistics should includes how much of capable and qualified labour will be absorbed by the buyers, etc. labour on the other hand must also realize that many of the jobs also might have been cost anyway by retrenchment, since government could not keep subsidizing crises- ridden public enterprises indefinitely; the only exercise that could be guaranteed is constant lay off (Aboyade, 1974).
2. Inclusion of Labour: - Interaction with the unions as stakeholders is often a good strategy. One of the major mistakes that is common in privatization in Nigeria is taking the workers for granted. When the unions are not involved in the organized process, it may be difficult to gain their corporation. The stakeholders must be sensitized to the impending constraints that privatization is likely to bring about, especially in the short run (Etukudo. 2000).

3. **Transparency and Accountability:** This is one of the most important issues in privatization exercise in Nigeria. Suspicious of corruption that follow privatization deals require that separate auditing and House of Assembly oversight committee be established to help in the monitoring process. It is also my considered opinion that money realized from sale of public enterprises and saved through withdrawal of subsidies should be invested in the hinter land for provision of infrastructure. This will not only enhance development but also will check the drift of rural urban migration, especially among the youth, since the cities are getting over populated while the rural areas are quickly deteriorating .
4. Need to make strategic administrative re-engineering to enable Bureau Public Enterprise staff interact extensively with stakeholders in the exercise especially the staff and consultants of bidding firms.
5. The Nigerian economy will also require financial market expansion to include derivative, future and options, credit and debt swaps etc. several of these foreign investments funds are willing to invest in Nigeria on the condition that the country puts financial house in order.  
However, it is quite instructive to note that successful structural reform cannot be recorded unless:
  - a) The government trusts, respects, and most importantly, informs the public adequately every step of the way, as to why certain actions are being taken.
  - b) Privatization is done properly with no special concessions or privileged when selling public enterprises; and
  - c) The creditor countries consider Nigeria's specific circumstances while mounting pressure on the speed of the privatization exercise because ours is a low- income country characterized by poverty .

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