**EFFECT OF PRIVITALIZATION AND COMMERCIALIZATION OF GOVERNMENT OWNED INDUSTRIES IN A DEVELOPING ECONOMY**

**Abstract**

Emphasis on affects of privatization and commercialization of government owned industries in developing Economy. (A case study of Nitel Enugu) in order to emulate a concrete result the researcher constricted questionnaire. At the end of the work the research result in identifying some effects emanating from privatization and commercialization and among them are Increase in employment due to GSM Increase in productivity an efficient. Reduction in government expenditure. Increase in profitability Based on the findings male, recommendation, were made by the research while in her view would help to improve privatization and commercialization in this economy. It should also be noted that the recommendations were made in solution, which were based on the response chosen by the respondent.

**CHAPTER ONE**

**INTRODUCTION**

* 1. **Background of the study**

 In the past the years, Nigeria has witnessed a tremendous growth in the telecommunication industries by this growth NITEL not only become one of the heading public company in the country but also placed the country on top of the telecommunication area in Africa. Thanks to NITEL that today, Nigeria can boast of about 600,000 telephone lines, which have equally been improved with the introduction of digital system. Apart from making life comfortable for its works, NITEL has contributed to the economic and social advancement of Nigeria through its revenue generation. In terms of performance NITEL several associates and awards have gone a long way  to prove that NITEL  is really running the race fast. In 1992 for instance it was confirmed with the Herbert Macaelory Award for Engineering excellence and a certificate of co-operate excellence. Others are the merit award for cooperate leadership by the University of Nigeria Nzukka and a rotary club of Nigeria. It is however, distrusting that’s despite NITEL’s good inventions and social well being of the citizens are being subrogated by unscrupulous Nigerians.  These people of evil intentions instead of joining millions of Nigerians in extolling the achievements of Nitel have decided to purist the company vandalizing its installations all over the country costing millions of Niara. For instance in Enugu, Nitel plc lost about 10 million worth of cables were damaged.  However, the researcher followed with considerable interest on the controversy surrounding the deregulation of tile communications in Nigeria. The controversy started with aspiring entrants purported “I concede” by the Nigeria that Nitel was been frustrating their efforts at getting of the ground and reached its peale when Nitel disconnected its joint measure company, the mobile telecommunication service (MTS) fronts network. Millions of unsuspecting Nigerians have lost their land earned money through what was an unregulated deregulation of the banks industries while the village was going on, much fraud what banks and bankers were being hailed as the progressive and innovation banks and bankers. This same situation is being repeated in the telecommunication industry by uninformed communicators. The insiders in the industry renew this and many of the intending entrants only want to have their cut from the new national cake which they assumed been backed by the telecommunication deregulation decree and called Nitel.   Dispassionate analysis and a careful study of decree No 75 November 1993 will show that Nitel has been keeping to the letter of the decree while like any commercial organization. They are however strictly not for, public subscription. The only networks open for public transaction as per the second schedule are payphone telephone and mobile communication service. Private operator who have applied for hence from NCC need to make a careful strictly of the second schedule.  Especially why the operative word is private in terms (3) and public in terms  (2) and (4) There is also the misconception that decree 75 of 1992 precludes Nitel from engaging in certain services. a careful study of section (10) subsection (2) and (3) will definitely remove such misconceptions. Generally, the objective of decree 75 of 1992 is to continue Nitel to its existing role of providing conventional telecommunication mainly telephone  and telex services while making the ionconventional new technology in mobile communication information transfer, etc. free for all  in which Nitel too can seek a hence to participate. Already, certain aspects of the decree have been overtaken by technology. These controversies of the effect of privatization and commercialization on a developing on a developing are what this work is sit to remain with special references to Nitel Plc. Enugu.

**1.2 STATEMENT OF THE PROBLEM**

According to Werner Sombort if capitalism has its own spirit which is profit making spirit” the motive to make profit from investment is considered as a force which is moving that drives investors. People’s major aim of invested is to have return on the fund invested is to have return on the fund invested in the profit. Whenever the return on investment is considered not form coming such investment may be taken as avenue financial loss. There was this economic situation which confronted the Nigeria society when the return of 93.7 million (1.4%) was received do 11 Billion Nana invested on parastatals and private own companies. The poor returns portray the fear that such investment is a waste of public revenue which was then on a decline following a global recession on the Nitel’s revenue. The first official public statement on privatization was in the 1986 budget speech by the head of state, President Ibrahim Babangida when the said (government parastals have for long been subjects of study and policy review). They have too generally come to constitute on unnecessary high burden government resources. They have been variously classified for purposes of reforms. Government has now decided that as from 1986. The volume of non statutory transfers to all economic and quasi economic parastatals would constitute no more than so to it their levels. There are to fund the balance from increase in the price of their product and service charges tariff and rates”. According to another Mbamele, (yp) there is no doubt that excessive participation by government of developing countries like Nigeria in business ownership created great imbalance on their economy. It is obvious that under. Living cause of privatization exercise is the attempt to increase efficiency by making public owned enterprises more productive as well as more responsive in the market place and on competitive pressures. Privatization and commercialization of publicly owned enterprise is expected to block the drain on government revenue by bringing profit spirit into such needed for the execution of public programmes and this need for this study.

**1.3 OBJECTIVE OF THE STUDY**

The major objectives of the study are:

1. To determine whether privatization and commercialization helps to solve the problem of poor masses.
2. To identify the impact of privatization on the general masses
3. To determine the impact of privatization on government funding.
4. To proffer solution to problems associated with privatization and commercialization of government parastatals.

**1.4 RESEARCH HYPOTHESES**

For the successful completion of the study, the following research hypotheses were formulated by the researcher;

**H0:** there is no impact of privatization on government funding

.**H1:** there is impact of privatization on government funding

**H02:** privatization and commercialization does not help to solve the problem of poor masses

**H2:** privatization and commercialization help to solve the problem of poor masses

**1.5 SIGNIFICANCE OF THE STUDY**

The study is of a great importance in the fact that privatization and commercialization at public enterprise was being resort to as a solution to their unpredictability; inefficiency and unproductively public companies in the western countries are privatized for maximum profitability and efficiency. Such companies include the British telephone company’s the British railway’s, the united state postal agency etc. The study is very timely since privatization and commercialization on public owned enterprise was pursued with many investors still ignorant of the benefit derivable from such investment considering the that there are limited literature on the effect of the activity this research therefore seeks to enlighten the general public about the effect of privatization and commercialization of our inefficient public enterprises. It is also hoped that this research will create or stand as a point of reference   for further research or this issue.

**1.6 SCOPE AND LIMITATION OF THE STUDY**

The scope of this research is limited to Enugu state. Focus is also on Nitel formally owned by this state government. This company is expected to make profit   while charging competitive prices. The researcher encounters some constrain which limited the scope of the study;

**a) AVAILABILITY OF RESEARCH MATERIAL:** The research material available to the researcher is insufficient, thereby limiting the study

**b) TIME:** The time frame allocated to the study does not enhance wider coverage as the researcher has to combine other academic activities and examinations with the study.

**c) Organizational privacy**: Limited Access to the selected auditing firm makes it difficult to get all the necessary and required information concerning the activities.

**1.7 DEFINITION OF TERMS**

**PRIVATIZATION:** Privatization is the sale of formerly public enterprises to private individuals and groups. Also this is a process whereby the government or its agency’s relinquishes port or whole of its equity and other interests in enterprises whether wholly or partially.

**Full privatization:**

This would imply that the government ownership and control would be renowned to permit such public enterprises to operate like their private sector counterparts.

**Partial privatization:**

This means that the part of the government’s equity holdings and interest will be sold out and following that, they would be expected to operate as private companies.

**Commercialization:**

This means that the enterprises will continue to be owned by the government that will have a financial structure that will enable the raise capital. They are expected to operate without any government operating subventions and without treasury support for future capital development.

**Partial commercialization:**

            It means that the enterprises will continue to be owned by the government but will necessarily have to generate a fair proportion of the financial requirements for their operations but right continue to need some government support towards the operating costs of future capital programme.

**Enterprises:**

This means any corporation, board, company or parastatals established by or under any enactment in which the government or any of its departments, ministries or agencies has ownership or equity interest and shall include a partnership, joint venture or any other form of business arrangement or organization.

**Divesture:**

This means the outright sale of state owned enterprises or industries to the private sector.

**1.8 ORGANIZATION OF THE STUDY**

This research work is organized in five chapters, for easy understanding, as follows

Chapter one is concern with the introduction, which consist of the (overview, of the study), historical background, statement of problem, objectives of the study, research hypotheses, significance of the study, scope and limitation of the study, definition of terms and historical background of the study. Chapter two highlights the theoretical framework on which the study is based, thus the review of related literature. Chapter three deals on the research design and methodology adopted in the study. Chapter four concentrate on the data collection and analysis and presentation of finding. Chapter five gives summary, conclusion, and recommendations made of the study

**CHAPTER TWO**

**REVIEW OF RELATED LITERATURE**

**2.1 PRIVATIZATION/COMMERCIALIZATION PROGRAMME: A GENERAL OVERVIEW**

Privatization is part of a process of structural adjustment. It involves redefining the role of the state by disengaging the state from those activities, which are best done by the private sector with the overall objective of achieving economic efficiency. It is first and foremost a political process although it has to be carried out as an economic exercise (Verr, B. A., 1999 p. 14). Commercialization on the other hand does not involve the alienation of government share holding to the private sector but involves changing the way government owned companies operate to ensure that they run commercially and that they make profit. (A Handbook of BPE.p7-9). Notwithstanding the differences in their ownership structure, Commercialization like privatization is aimed at improving efficiency in the management of public sector / enterprises, resulting in less dependence on government for funding. Poor performance by the public sector is one of the major reasons for the heightened interest in Privatization and Commercialization. This has further been propelled by recent deterioration in the global economic environment. Privatization is therefore seen as an important step in reducing imbalances and restoring acceptable rates of growth. (Adebusuyi,B.S.1999.p22). This is underscored by the various studies, which revealed that, with few exceptions, the public sector incurs substantial losses, contributes significantly to budget deficits and has a negative impact on balance of payments. Most countries all over the world in their bid to attain macroeconomic stabilization and trade and investment liberalization have been supported by credible structural reform. These reforms have come in form of sound economic policies, such as Fiscal Policy, Monetary and Exchange Rate Policy, Governance and Institution Building, Domestic Deregulation, Commercialization, Privatization, etc. of all these Commercialization and Privatization have been the most popular with Privatization recording more success stories. When the British Government under Mrs. Thatcher embarked in the 1980s on one of the most extensive and successful Privatization programmes in history, little was it known that Privatization would become a worldwide phenomenon, cutting across nations, developed and developing. In Africa, Asia, Europe, the Americas, Australia and New Zealand, there have been one form of Privatization programme or another. These programme have also transcended industrial lines such as power, telecom, water, hydrocarbon, automobile, steel, banking, insurance, airways, railways, hotels etc. In fact, there is hardly any sector, which has not been touched by Privatization. Privatization has become a major element of economic reform and an important instrument for advancing the global competitiveness of nations. It has become a familiar concept among economists, financial experts and policy makers with several studies on it, and many success stories, which have added to the appeal of Privatization. The success stories have shown that Privatization can be a vital tool of turning around inefficient and poorly managed State-Owned Enterprises (SOEs) into well-managed, competitive and profitable outfits. Such turn around could have positive impact on the large economy by way of output growth, improved quality of goods and services, as well as easing pressure on the labour market. (Ndanusa, M. S., 2000 p 1). The success stories have also shown that Privatization can be an important tool for downsizing the public sector, reducing its debt and borrowing while enhancing revenue. Indeed revenue from Privatization are sometimes expended on improving social and economic infrastructure such as roads, schools, and hospitals, which in turn, improve societal well-being and strengthens the environment or increased private sector involvement in an economy. Privatization could also serve as a vehicle for attracting foreign capital, and acquiring skills and technology. Through Privatization, particularly when opened to foreign participation, a country may gain international visibility and increased interest of foreign investors in its economy. Privatization also fosters the participation of the populace in the ownership of the industrial sector, instilling in the process, a sense of belonging and pride in the citizenry. With the failure of SOEs and heavy burden on government finances, Privatization is today, widely considered as an inevitable exercise if economic growth and development are to be engendered. Given its benefits, one can clearly see why Privatization has become a must in many countries. Sub-Saharan African countries according to a World Bank report had completed a total of 3,166 Privatization sales worth US $6.4 billion as at mid 1999 with Mozambique leading, having Privatized 579 enterprises. Angola had completed 331, Ghana 217, Kenya 189, Nigeria 81 (excluding state government Privatization) and South Africa 7. Africa has also witnessed some of the most successful enterprise Privatization including the celebrated Ashanti Goldfields Company and Kenya Airways. Ashanti Goldfield is today, listed on several stock exchanges including the London, New York, Toronto, Ghana and Zimbabwe exchanges. One striking feature of Sub-Saharan African Privatization is that sales value has remained comparatively small relative to the impressive number of enterprises that has been Privatized (Report presented at Accra). The reason for this may not be farfetched, as African Companies is by international standard small. It will also be a fundamental error not to take account of institutional weakness, notably the lack of skilled and highly trained manpower to run an expanded state sector (Eze, J.A.I997 p 21). According to the same report South Africa with only 7 seven transactions has as at mid 1999, generated US $ 2.3 billion, Zambia's 253 enterprises fetched US $ 700 million while Nigeria earned US $ 207 million from the sale of 81 companies. Privatization has been variously defined and has involved different methods and procedures. But it could be simply defined as the divestment of government holdings in an SOE or in an enterprise in which it has interest. In other words, Privatization could affect an enterprise, which is wholly or partially owned by-go government. What is important is the transfer of ownership or control from the public to the private sector, that is, from government to individuals and private concerns. Transfer of ownership implies the shedding of control. Where divestment of ownership is total, government control would be zero. But where government holdings are still substantial the tendency would be to exercise some element of control in the affected enterprises. This does not have to be the case as even where government is left with majority holdings the divestiture could be such that neutralizes government control and interference in the enterprises considerably. It is important that the enterprises are seen as profit making outfits, which should be run as such. (Ndanusa, M. S., 2000.p2). Although Privatization objectives are essentially similar among countries, the methods and procedures differ and have been identified to include outright sale of assets, public flotation, management or employee buy out, concessions, voucher sale, issuance of new securities to dilute existing government holdings, liquidation and auction. For reasons of proper governance and to provide 29 requisite technical and possibly financial resources, core investors are seen as important and sought after in Privatization of key SOEs. A few countries have applied the golden share principle basically to protect enterprises considered among other things, to be "national treasure" from being taken over by foreigners. Golden Shares were most prominently used in the British Privatization but the fear of the misuse of such shares in developing economies even when their powers are well defined has created wariness about their use in these countries. The experience of a number of countries with Privatization has shown that the existence of a formal capital market evidenced by a stock exchange facilitates Privatization of SOEs while the programme has served as an important impetus to capital market development. The absence of a stock market would by implication limit the avenues available for the divestment of SOEs. In Nigeria, the existence of a fairly developed capital market made it possible for government to divest its interest in 34 enterprises during the first phase of the Privatization exercise in the late 1980s -early 1990s (Ndanusa, M ,S. 2000.p3)

**2.2 PRIVATIZATION/COMMERCIALIZATION PROGRAMME IN NIGERIA.**

The role of public sector and public owned enterprises in Nigeria's development process in post 1970 era has been well documented. As at then it was considered fashionable for the government to take hold of the commanding heights of the economy, propelled by the economic inflow of oil revenues to the Federal Government in the 1970s. Nigeria was in the forefront of establishing public owned enterprises to engage in the production and supply of a broad spectrum of goods and services spanning iron and steel, petroleum and petro-chemical products, fertilizer, motor vehicle, electricity, paper, cement, agricultural production and processing transport, mining, trading and banking and finance. If these enterprises have functioned effectively over the years, the Nigerian economy would have joined the league of newly industrializing economies such as Korea, Taiwan, Hong Kong, Singapore, Malaysia, Thailand, Brazil, Indonesia and Mexico (Iwayeni, A. 2002 pi). However, in the post 1970 period, public investment in the over 1000 public owned enterprises in Nigeria conservatively estimated at N 800 billion had no significant impact on sustainable development. Adding other direct and indirect costs associated with the dismal operating performance of these enterprises and their poor-financial and economic return, the scale of the losses associated with public enterprises in Nigeria is staggering. Public enterprises driven by import substitution industrialization strategy constituted a major dung on the economic performance in the past three decades. Without much exaggeration, the high level of mismanagement, gross economic inefficiency evident in the poor returns on public investment, excessive politicization and high level of corruption in most public- owned enterprises have pauperized Nigerians. It has also served as a catalyst for economic retrogression and the associated sharp decline in living standards, persistent large scale unemployment and technological underdevelopment (Iwayeni, A., 2002.p2). President Olusegun Obasanjo, in his speech stated that State enterprises suffer from fundamental problems of defective capital structure, excessive bureaucratic control or intervention, inappropriate technology, gross incompetence and mismanagement, blatant corruption and crippling complacency which monopoly engenders. Inevitably, these shortcomings take a heavy toll on the national economy. It must be stated that the problem associated with State owned enterprises and monopolies are not peculiar to Nigeria. It is true, however, that many developing countries have overcome the problems through a well-designed and single-minded pursuit of Privatization and Commercialization programmes. The rationale is that these programmes permit governments to concentrate resources on their core functions and responsibilities, while enforcing the "rules of the game". This enable the markets can to efficiently, with provision of adequate security and basic infrastructure, as well as ensuring access to key services like education, health and environmental protection (Eke, E.2001.p 17). The objective is to assist in restructuring the public sector in a manner that will affect a new synergy between a leaner and more efficient government and a revitalized, efficient and serviceoriented private sector. Up till recently, there have been many years of exhaustive deliberations by stakeholders on how to put Nigerian economy on the path of sustainable growth and development. There are over 1000 State-owned enterprises in Nigeria, many of these enterprises gulped billions of Naira without yielding much positive result in terms of customers satisfaction. It has been estimated that the nation may have lost about 800 million US dollars due to unreliable power supply of NEPA and another 400 US dollars through inadequate and inefficient fuel distribution. Right now, a consensus has emerged on the imperative of Privatization and Commercialization of State-owned enterprises (Adeseri, A.2001. p 16). Government defines guided Privatization as "a carefully planned and systematically implemented programme of government withdrawal from the control of business enterprises which can be more effectively and efficiently run by private sector operators". Competitive Privatization will be encouraged in order to stimulate new investment and give the consumer an opportunity for a choice. The import of this policy is that sectors previously closed to private sector participation, such as petroleum refining, are being removed from the negative list for private sector investment. With respect to existing public sector investment, Government's desire is to ensure effective and efficient management of the public enterprises so that the nation can get maximum benefits from the resources so committed (WTO Press Release, 1998). At the moment, not all Nigerians are convinced of the wisdom of I selling off State assets or giving foreigners control of crucial utilities. "The Federal Government is headed on a [path] of unprecedented national calamity with the foreign , ownership of any part of NEPA, NITEL, the refineries or the railways," wrote commentator Ogbuagu, Ken. He further stated that there is an International Conspiracy whose aim is to grab the oriental nervous system of Nigeria, hence Africa. The sale of strategic national assets is absolutely wrong. Many people share the writer's concern that control of important public utilities by private companies -whose prime objective is profit -making will halt the spread of development to poor sectors of society, particularly the rural areas (Obadina, T. 1998 p4). All these not withstanding, Privatization and Commercialization has been found to be a catalyst for economic development in most other countries where there has been transparency and commitment on the part of the government in carrying out the programme (Iwayemi, A., 2002.p3). In Nigeria, it has been seen that while economic activity may be | constrained by tight monetary policy, the impetus for economic growth will come from freeing the energy of the private sector through deregulation and Privatization. (IMF Website). Preparation for Privatization of public enterprises started some years ago, it has since progressed and very soon most public institutions like NEPA, NITEL, among others will be sold to Private individuals. (Ugwoke, F. 2002 .p2). The structural adjustment programme adopted in 1986 began the onset of comprehensive economic reforms to eliminate the distortions in the economy and to improve productive and allocation efficiency. Privatization and deregulation of key domestic markets were seen as strategic policy instruments in achieving the objectives of greater efficiency through economic restructuring, and the broaden goals of rapid economic recovery and sustained growth and development. (Iwayemi, A. 2002. p2). The first formal Privatization and Commercialization of the federal government of Nigeria Commenced in 1988 under the Technical Committee on Privatization and Commercialization (TCPC) Decree No. 25 of July 1988 (Obaji, O. 1999.p41). During the first phase of the exercise, which spanned from July 1988 and June 1993, a number of companies were either privatized or Commercialized using various programmes (this is summarised in the appendix). Under the phase 1 programme, about 88 enterprises were either fully or partially Privatized. These were enterprises in which the Nigerian Government | invested jointly with foreign or private Nigerian investors. With the exception of the Cement and the Oil marketing companies, the capitalization of most of them was small. The huge capital-intensive and basic industries like the Fertiliser Companies, Sugar companies, Vehicle Assembly Plants, Paper and the Steel Mills, which hold vital positions in the economy could not be Privatized for various reasons ranging from financial insolvency to negative networth (Anya, O. A. 2000 p 2). Under the new programme, the government planned to sell 40% of its equity in the enterprises to strategic investors through international open tenders. Another 20% would go to Nigerian investors through public share offers leaving the government with a 40% Stake (Iromantu, O. C., 1999.pl0). : The Privatization exercise may involve one of two things namely:

a) Non-divestiture options Commercialization (Co-poratization), the Privatization of management (management contacts, leasing and concessions) and the contracting out of public services and

b) Divestiture options on the Privatization of capital. A particular form of Privatization is the private development of infrastructure. (Verr, B. A., 1999,p43).

There was lack of clarity of Government's policy on some critical issues associated with Implementation of the programme. The issues include: -

- Whether to Privatise as "is" or rehabilitate before Privatization.

- To relieve the Enterprises' managers of their duties before or after Privatization

- The type of regulatory framework that will be in place. - Whether the sales should be given to both foreigners and Nigerians.

- The valuation methods to be used.

- The role of foreign core investors in the ownership and management of the national economy.

- Loss of jobs resulting from the Privatization.

- Income inequality arising from the ownership of Privatized assets.

- Whether to deregulate before or after Privatization - Utilization of the Privatization proceeds

- Whether Government should go ahead and own any 'Golden Shares'

- The Level of transparency in the programme.

The exercise had an unqualified success. Unlike other countries, Nigerians for Nigerians did the Privatization exercise in Nigeria without any foreign technical assistance. The programme succeeded in relieving the government of the huge and growing burden of financing public enterprises, minimised the overstretching of government's managerial capacity through a redefinition of the role of the supervising ministries, created a large body of shareholders and deepened and broadened the Nigerian Capital Market to the position of being the most development in black Africa The market capitalization of the Nigerian Stock Exchange (NSE) through which the shares were sold has grown from N8.9 billion in 1987 (before Privatization) toN65.5 billion in 19994 (after Privatization) and currently stands at N428.9 billion as at the end of August 2000. The catalytic effect of the volume of shares released into the market via the Privatization exercise cannot be over emphasized. (Anya, O. A., 2000 p 2). On the part of Commercialization, in carrying out the programme the TCPC developed a framework for Commercialization common to all enterprises and Reform Packages for 30 of the 34 Commercialized enterprises. One major innovation introduced by the TCPC during the reform process was the development of corporate plans by public enterprises and this formed the basis for the Performance Agreement, which was signed by 24 Commercialized enterprises in 1992. This agreement was expected to last for 3 years in the first instance. The system of Performance Agreement is intended to:

1. Help in giving a positive orientation and ensure that affected enterprises can efficiently fulfill their role in the national economy;
2. Identify a number of performance and efficiency indices which the affected enterprises should as a minimum, achieve annually taking one year with another
3. Provide an independent monitoring process through the TCPC; (or its successor) whereby the actual performance by both parties of their obligation under the agreement can be efficiently monitored and evaluated (Obaji, 0. 1999.p24).

SAlthough, public outcry and opposition from politicians stopped the past administration from Privatization, It indicates that the Privatization train is a course and it is one of the priority issues that the new administration has to address (Iromantu, O.C., 1999.pl1)

**2.3 OBJECTIVES OF PRIVATIZATION / COMMERCIALIZATION PROGRAMMES IN NIGERIA**

Objectives are performance index through which expectations are compared to actual result. In the light of this, one of the objectives of the Privatization programme was to promote efficiency in the affected enterprises in the overall interest of the national economy (Ani, A. A. 1998, P. 1). Privatization would help to inject commercial sense into these enterprises that have all along been bogged down by government control and whose employees usually think the enterprise exist for heir benefits rather than the customer's (Bamgbopa, N. A. 1985, P. 14). Public institutions comprises Parastatals such as educational and cultural institutions, research institutions, teaching hospitals and other service oriented parastatals such as banks, insurance companies, investment companies, hotels, cement companies, steel mills, motor assembly, plants, to mention but a few. These enterprises cover a wide range of services for economic development and require substantial funding from the government. The failure of government enterprises was thought by many radical economist to stem from excessive monopoly which resulted in the proliferation of a rambling bureaucratic decision making structure which hampered their ability to respond to change (Health, 1987, P. 118,Akpala 1990, lyanda & Oludeji 1989). In relation to this, a comprehensive objective of the Privatization Programme as expressed by Muktar Ahmed was to include: -

1. Injecting market discipline at the Board level since the Board is expected to reflect the shareholding interest of the private sector investors.
2. Close monitoring of the performance of management.
3. Greater accountability and evolution of better management practices.
4. Acting as catalyst for the revitalization of the capital market by making available in the capital market substantial volume of shares.
5. Fund raising revenue for the government.
6. Encourage share ownership by members of the public leading to a more efficient mobilization of savings within the unit.

Professor Anya 0. Anya, in his comments, further cited some objectives of the Privatization programme to include: -

• To improve on the operational efficiency and reliability of our public enterprises;

• To roll back the frontiers of State capitalism and emphasize private sector initiative as the engine of growth.

• To encourage share ownership by Nigerian citizens in productive investments hitherto owned wholly or partially by the Nigerian Government and, in the process to broaden and deepen the Nigerian market.

The Decree establishing the Privatization Programme as enacted in 1988 had broader objectives, which are as follows: -

1. To restructure and rationalize the public sector in order to lessen the dominance of unproductive investment in that sector.
2. To re-orientate the enterprise for Privatization towards a new horizon of performance investment in that sector. 38
3. To check the present obsolete dependence of commercially oriented parastatals on the treasury for funding and to encourage their approach to the Nigerian capital market.
4. To initiate the process of gradual cession to the private sector of such public enterprises that by the nature of their operations and other socio-economic factors is best performed by the private sector.
5. Creating a favorable investment climate for both local and foreign investors.
6. Reduction in the level of internal and external debt via the use of the debt conversion programme in the Privatization of certain enterprises.
7. To provide institutional arrangement and operational guidelines that would ensure that the gains of Privatization are sustained in the future.

In summary therefore, the Privatization programme in Nigeria was targeted to reduce the burden imposed by government enterprises on the resources of government, enhance, its efficiency and improve the generally poor returns on overall government investment in these enterprises (Usman, S .1999, P. 7). The main thrusts of the Commercialization programme under Decree 25 of 1988 were as follows: -

1. Provide competitive remuneration system to be able to attract, recruit and retain suitable qualified personnel
2. Strengthen financial/accounting controls at the enterprise level
3. Upgrading the management information system of the affected enterprises
4. Ensure financial solvency of the public enterprises through effective cost recovery, cost control and financial management
5. Remove bureaucratic bottlenecks and political interference through clear role definitions between the supervising Ministry, the Board of Directors and the Management of Public Enterprises.

The Commercial programme of the other hand has not been as successful as the Privatization Programme. This could be because of so many things, of which some of them are listed below:-

1. Failure to entrench operational autonomy of the enterprises i.e., defining the relationship between the Commercialized enterprises and the supervisory Ministries. Such areas as the authority limit, tariff department, procurement policy and personnel policy constitutes the major areas of concern. Managers of public enterprises have always quoted official interference as the limiting factor to their effective performance.
2. Failure to actualize recommended capital restructuring of commercial public enterprises so that they are able to raise fund from the capital market.. Government has been tardy in the provision of working capital for those public enterprises, which need it, or has it provided the frame for such enterprises.
3. Failure to allow boards of directors to function properly. Indeed, since 1993 there have been no Boards for most public enterprises. As a result, the supervisory Ministries had controlled such enterprises in both policy areas and day-to-day business decisions.
4. Resistance's by government to develop appropriate condition of service in the public enterprises commensurate with responsibilities. This has led to malpractice by the management in such areas as procurement. It also engenders poor commitments by the generality of employees. Inability to negotiate fresh Performance Agreement with the affected enterprises because, there has been no Boards of Directors since 1993 (Obaji, O. 1999.p24).

**2.4 IMPACT AND THE FUTURE PROSPECTS OF THE PRIVATIZATION/ COMMERCIALIZATION PROGRAMMES IN NIGERIA**

The widespread adoption of Privatization and Commercialization measures necessitates a system of impact evaluation which can be widely applied and which will provide a systematic and practical analytical framework to assess the results of Privatization and Commercialization. Performance can be defined in terms of success in achieving stated objectives. The basic question is whether the economy is better or worse off as a result of Privatization and Commercialization. A comprehensive answer to this question would require knowing what changes occurred as a result of Privatization and Commercialization, and how such changes can be prioritised and valued among other issues. However, the problem of ambiguous broad statement of goals of Privatization and Commercialization such as fostering market development and the existence of conflicting objectives make such assessment difficult. Nonetheless, the impact of Privatization and Commercialization on the whole economy can be assessed by: -

1. An increased share of the private sector in the economy
2. A reduction in fiscal imbalance through increased revenue and the reduction of the government's budget deficit
3. The development of domestic capital markets
4. The improvement in the external trade balance and
5. Changes in the levels of employment.

At the micro level the impact of Privatization and Commercialization can be assessed using:

1. Technical efficiency which is concerned with how efficiently inputs are used by firms both before and after Privatization and Commercialization
2. Cost efficiency, which is concerned with whether or not there is a difference in cost efficiency per unit of output before and after Privatization and Commercialization. Differences in cost may however, reflect differences in input prices and or scale of activity.
3. Profitability which does not necessarily imply efficiency as an inefficient firm may be profitable due to market power or preferential arrangements, price control on output of an efficient firm as well as differences in accounting conventions, and
4. Change in the real price charged for the output of the Privatized enterprise. The World Bank has also proffered some measures of assessing the impact of Privatization and Commercialization and they include: -
5. **Financial assessment**: Defined as ratio of operating surplus to sales in current prices, which measures the returns to all investors, owners and creditors; and before tax profits in current prices which measure the government's return on its investment as it were a private owner.
6. **Productivity:** Defines in terms of total productivity; and
7. **Savings investment deficit**: This is defined as the extent to which public enterprises rely on outside sources to finance their operations, expansion and debt service. (Adebusuyi, B. S, 1999 p.22 ).

Using these measures as a benchmark, the impact of the Privatization and Commercialization programmes on the Nigerian economy cannot be over emphasized

The benefits of the phase 1 of the programme include: -

1. Performance of the Privatized enterprises so far has led to a considerable increase in the volume of corporate taxes accruing to the national treasury. Thus not only has the drain on public finances been halted, it has become a positive bonus, with subsidy soaking deficits - being replaced by tax yielding profits.
2. The sale of shares and assets realized over N3.7 billion as gross Privatization proceeds from the Privatization of 55 enterprises whose total original investment according to the records of the Ministry of Financed Incorporated (MOFI) was N652 million. This represents less than 2% of the total value of the Federal Government's investments as at 30th November 1990, which stood at N36 billion.
3. The programme of Privatization has greatly minimized the scope of political patronage in the form of Board appointments and jobs for the boys. Under the Phase-1 of the programme, the Federal Government relinquished about 280 Directorship positions in the Privatized enterprises. The operational autonomy enjoyed by these enterprises has put a stop to their use as dumping grounds for political appointees at management and board levels.
4. Privatization has massively expanded personal share ownership in Nigeria. Over 800,000 shareholders were created, almost twice as many as there were in 1988 when the exercise started. The programme has also intensified the operations of the Capital Market, created new awareness in the virtues of shareholding as a form of savings rather than an elitist pastime, which it was thought to be. This is a good development, which enhances capital formation and economic growth.
5. By reducing the reliance of public enterprises on the government for finance, the programme of Privatization has encouraged new-investments in the enterprises concerned. The warm hands of the Capital Market have replaced the cold hands of Treasury Control, which are as stimulating as they are invisible. Many of them have discovered that it is easier to raise funds through the capital market than it is to do so from the treasury, once the necessary investor confidence has been developed.
6. The new operational autonomy of these enterprises and their liberation from political interference in day-to-day management has improved the internal efficiency of these enterprises allowing them to liberalize their purchasing as well as rationalize labor practices. This has increased massively their profitability. The negative perception of public enterprises in the minds of the general public as nobody's business has also changed.
7. Floatation of shares of Privatized enterprises have greatly stimulated the rapid growth of the Nigerian Capital Market and helped to deepen and broaden it. As stated earlier, market capitalisation has grown from N8.9 billion in 1987 to over N65.5 billion by 1994 and N428.9 billion as at August 2000.
8. Privatization has allowed the management of privatized enterprises full freedom to realise their optimum potentials. This has led to more productive employment and economic growth in general terms.
9. The programme has equally relieved the Government the burden of financing the investment needs and operating deficit of the Privatized public enterprises. Although it has not been quantified, it is reckoned it would run into billions of Naira annually.
10. A number of our public utilities have already regained their solvency and began to record substantial operating surpluses.
11. The quality and reliability of the Privatized enterprise services have also improved significantly because of Commercialization.
12. The mechanism of the corporate plan developed by each Commercialized enterprise provides the Government with the framework to measure the performance of our public enterprise managers in a transparent and scientific manner.
13. The introduction of Performance Agreements in our parastatal sector is a revolutionary measure aimed at ensuring that our public enterprises particularly the utilities perform their supportive roles to the rest of the national economy (Obaji, O. & Verr, B., 1999.p23-24)

**CHAPTER THREE**

**RESEARCH METHODOLOGY**

* 1. **Research design**

The researcher used descriptive research survey design in building up this project work the choice of this research design was considered appropriate because of its advantages of identifying attributes of a large population from a group of individuals. The design was suitable for the study as the study sought to effect of privatization and commercialization of government owned industries in a developing economy

* 1. **Sources of data collection**

Data were collected from two main sources namely:

(i)Primary source and

(ii)Secondary source

**Primary source:**

These are materials of statistical investigation which were collected by the research for a particular purpose. They can be obtained through a survey, observation questionnaire or as experiment; the researcher has adopted the questionnaire method for this study.

**Secondary source:**

These are data from textbook Journal handset etc. they arise as byproducts of the same other purposes. Example administration, various other unpublished works and write ups were also used.

* 1. **Population of the study**

Population of a study is a group of persons or aggregate items, things the researcher is interested in getting information on effect of privatization and commercialization of government owned industries in a developing economy. 200 staff NITEL of Enugu State was selected randomly by the researcher as the population of the study.

* 1. **Sample and sampling procedure**

Sample is the set people or items which constitute part of a given population sampling. Due to large size of the target population, the researcher used the Taro Yamani formula to arrive at the sample population of the study.

n= N

1+N (e) 2

n= 200

1+200(0.05)2

= 200

1+200(0.0025)

= 200 200

1+0.5 = 1.5 = 133.

**3.5 Instrument for data collection**

The major research instrument used is the questionnaires. This was appropriately moderated. The secretaries were administered with the questionnaires to complete, with or without disclosing their identities. The questionnaire was designed to obtain sufficient and relevant information from the respondents. The primary data contained information extracted from the questionnaires in which the respondents were required to give specific answer to a question by ticking in front of an appropriate answer and administered the same on staff of the two organizations: The questionnaires contained structured questions which were divided into sections A and B.

* 1. **Validation of the research instrument**

The questionnaire used as the research instrument was subjected to face its validation. This research instrument (questionnaire) adopted was adequately checked and validated by the supervisor his contributions and corrections were included into the final draft of the research instrument used.

* 1. **Method of data analysis**

The data collected was not an end in itself but it served as a means to an end. The end being the use of the required data to understand the various situations it is with a view to making valuable recommendations and contributions. To this end, the data collected has to be analysis for any meaningful interpretation to come out with some results. It is for this reason that the following methods were adopted in the research project for the analysis of the data collected. For a comprehensive analysis of data collected, emphasis was laid on the use of absolute numbers frequencies of responses and percentages. Answers to the research questions were provided through the comparison of the percentage of workers response to each statement in the questionnaire related to any specified question being considered.

Frequency in this study refers to the arrangement of responses in order of magnitude or occurrence while percentage refers to the arrangements of the responses in order of their proportion. The simple percentage method is believed to be straight forward easy to interpret and understand method.

The researcher therefore chooses the simple percentage as the method to use.

The formula for percentage is shown as.

% = f/N x 100/1

Where f = frequency of respondents response

N = Total Number of response of the sample

100 = Consistency in the percentage of respondents for each item

Contained in questions

**CHAPTER FOUR**

**PRESENTATION ANALYSIS INTERPRETATION OF DATA**

**4.1 Introduction**

Efforts will be made at this stage to present, analyze and interpret the data collected during the field survey. This presentation will be based on the responses from the completed questionnaires. The result of this exercise will be summarized in tabular forms for easy references and analysis. It will also show answers to questions relating to the research questions for this research study. The researcher employed simple percentage in the analysis.

**DATA ANALYSIS**

The data collected from the respondents were analyzed in tabular form with simple percentage for easy understanding.

A total of 133(one hundred and thirty three) questionnaires were distributed and 133 questionnaires were returned.

Question 1

Gender distribution of the respondents.

TABLE I

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| **Gender distribution of the respondents** | | | | | |
| Response | | Frequency | Percent | Valid Percent | Cumulative Percent |
| Valid | Male | 77 | 57.9 | 57.9 | 57.9 |
| Female | 56 | 42.1 | 42.1 | 100.0 |
| Total | 133 | 100.0 | 100.0 |  |

From the above table it shows that 57.9% of the respondents were male while 42.1% of the respondents were female.

Question 2

The positions held by respondents

TABLE II

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| **The positions held by respondents** | | | | | |
| Response | | Frequency | Percent | Valid Percent | Cumulative Percent |
| **Valid** | Business intelligence analysts | 37 | 27.8 | 27.8 | 27.8 |
| NET developers | 50 | 37.6 | 37.6 | 65.4 |
| Customer acquisition managers | 23 | 17.3 | 17.3 | 82.7 |
| Computer operators | 23 | 17.3 | 17.3 | 100.0 |
| Total | 133 | 100.0 | 100.0 |  |

The above tables shown that 37 respondents which represents27.8% of the respondents are business intelligence analysts 50 respondents which represents 37.6 % are NET developers 23 respondents which represents 17.3% of the respondents are customer acquisition managers, while 23 respondents which represent 17.3% of the respondents are computer operators

**TEST OF HYPOTHESES**

There is no impact of privatization on government funding

**Table III**

|  |  |  |  |
| --- | --- | --- | --- |
| **there is no impact of privatization on government funding** | | | |
| Response | Observed N | Expected N | Residual |
| Agreed | 40 | 33.3 | 6.8 |
| strongly agreed | 50 | 33.3 | 16.8 |
| Disagreed | 26 | 33.3 | -7.3 |
| strongly disagreed | 17 | 33.3 | -16.3 |
| Total | 133 |  |  |

|  |  |
| --- | --- |
| **Test Statistics** | |
|  | there is no impact of privatization on government funding |
| Chi-Square | 19.331a |
| Df | 3 |
| Asymp. Sig. | .000 |
| a. 0 cells (0.0%) have expected frequencies less than 5. The minimum expected cell frequency is 33.3. | |

Decision rule:

There researcher therefore reject the null hypothesis that there is no impact of privatization on government funding as the calculated value of 19.331 is greater than the critical value of 7.82

Therefore the alternate hypothesis is accepted that there is impact of privatization on government funding

**TEST OF HYPOTHESIS TWO**

Privatization and commercialization does not help to solve the problem of poor masses

Table V

|  |  |  |  |
| --- | --- | --- | --- |
| **privatization and commercialization does not help to solve the problem of poor masses** | | | |
| Response | Observed N | Expected N | Residual |
| Yes | 73 | 44.3 | 28.7 |
| No | 33 | 44.3 | -11.3 |
| Undecided | 27 | 44.3 | -17.3 |
| Total | 133 |  |  |

|  |  |
| --- | --- |
| **Test Statistics** | |
|  | privatization and commercialization does not help to solve the problem of poor masses |
| Chi-Square | 28.211a |
| Df | 2 |
| Asymp. Sig. | .000 |
| a. 0 cells (0.0%) have expected frequencies less than 5. The minimum expected cell frequency is 44.3. | |

Decision rule:

There researcher therefore reject the null hypothesis that privatization and commercialization does not help to solve the problem of poor masses as the calculated value of 28.211 is greater than the critical value of 5.99

Therefore the alternate hypothesis is accepted that state privatization and commercialization help to solve the problem of poor masses.

**CHAPTER FIVE**

**SUMMARY, CONCLUSION AND RECOMMENDATION**

**5.1 Introduction**

It is important to ascertain that the objective of this study was to ascertain effect of privatization and commercialization of government owned industries in a developing economy

In the preceding chapter, the relevant data collected for this study were presented, critically analyzed and appropriate interpretation given. In this chapter, certain recommendations made which in the opinion of the researcher will be of benefits in addressing the challenges of privatization and commercialization of government owned industries in a developing economy

* 1. **Summary**

This study was on effect of privatization and commercialization of government owned industries in a developing economy. Four objectives were raised which included: To determine whether privatization and commercialization helps to solve the problem of poor masses, to identify the impact of privatization on the general masses, to determine the impact of privatization on government funding, to proffer solution to problems associated with privatization and commercialization of government parastatals . In line with these objectives, two research hypotheses were formulated and two null hypotheses were posited. The total population for the study is 200 staff of NITEL, Enugu State. The researcher used questionnaires as the instrument for the data collection. Descriptive Survey research design was adopted for this study. A total of 133 respondents made up business intelligence analysts, NET developers, customer acquisition managers and computer operators were used for the study. The data collected were presented in tables and analyzed using simple percentages and frequencies.

**5.3 Conclusion**

Privatization has been embraced by most countries as one of the panacea within a larger framework for redressing recurring economic problems. It is hoped that by transferring ownership of government owned enterprises to the private sector, economic growth would be enhanced because of these Privatized enterprises. The approaches to Privatization have been varied while the outcome has been generally diverse. The economic implication of such programme depends largely on the institutional administrative arrangement used in the implementation, the technique of Privatization adopted and other policy reforms implemented along with the Privatization and Commercialization. Survey of Privatization and Commercialization experiences shows that different approaches to Privatization and Commercialization produce different results. In Nigeria, very strong legal and administrative machinery have been put in place to guarantee the success of the programme. The aims, objectives and scope have also been defined, more importantly, the programme is not being carried out in a vacuum, and it is being supported by deregulation, stabilization and liberalization policies aimed at ensuring rapid turnaround of the economy. The economic impact of the programme is unquestionably desirable. To derive the maximum benefits from the programme, however, some of the current policies and procedures should be reviewed to ensure improved efficiency of these government enterprises after their Privatization and Commercialization, so that such enterprises do not die under the yoke of unscrupulous investors.

**5.4 Recommendation**

The Privatization and Commercialization programme is one of the most controversial economic policies confronting Governments worldwide. It therefore becomes imperative that the design and implementation of the programme to be carried out meticulously. Some of these controversies usually arise from government officials who have vested interest in the enterprise and the employees of the affected enterprise whose fear augur imminent job loss. It is therefore recommended that government must ensure that the regulatory environment and competition policies must be part of the process of Privatization. Accordingly, government must repeal all decrees/laws that inhibit competition and must pass laws that protect investors.

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