

**PRIVATIZATION AND COMMERCIALIZATION IN
NIGERIA: PROBLEMS AND PROSPECTS**

A PROJECT SUBMITTED

BY

**OKOLI CALISTUS EJIKE
PG/MBA/08/53027**

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TITLE PAGE

PRIVATIZATION AND COMMERCIALIZATION IN

NIGERIA: PROBLEMS AND PROSPECTS

CERTIFICATION

I, OKOLI CALISTUS EJIKE, a post graduate student with registration number PG/MBA/08/53027 has successfully completed the research work for the degree of masters in Business Administration (MBA) in Management. This research work is original and has not been submitted in part or in full for any diploma or degree in this or any other University.

.....
OKOLI CALISTUS E.
PG/MBA/08/53027

.....
DATE

.....
CHIEF J.A. EZEH
(Supervisor)

.....
DATE

.....
MR. C.O. CHUKWU
(Head of Department)

.....
DATE

DEDICATION

This work is dedicated to God Almighty for His Divine guidance, provision and protection.

ACKNOWLEDGEMENT

It is an acceptable fact that no one has ever produce a research work without the help of others work. I have sought and obtained the assistance of beloved ones unto whom I owe my gratitude. I am grateful and remain highly indebted to my amiable Supervisor CHIEF J. A. EZEH who made sure that my project went through. I am most thankful for his patience and meticulous reading of this project. Also to the Dean of Faculty of Business Administration, Enugu Campus Prof. Uche Modum, to my present Head of Department Mr. C.O. Chukwu and all the academic and non academic staffs of department of Management.

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ABSTRACT

Given Nigeria precarious financial situation which emanated the economic crisis of 1980s and 1990s, coupled with the poor quality service rendered by the public enterprises and their poor returns to investment, the privatization and commercialization of public enterprises aim at resolving an economic problem of operational inefficiency. Policies were designed to guide the implementation process of privatization and commercialization programme, but the implementation process of the policy has not been free from problems resulting from controversing which confronts the programme and the complex nature of our country Nigeria. This study underscores some of the major issues and problems of privatization and commercialization in Nigeria and provides some guidelines for evolving optimal modalities for a successful implementation. The first chapter is introductory covering the background of the study, statement of problems, research questions, study objectives, research hypotheses which focus on problems of implementation, significance of the study and scope and limitation of the study. Chapter two is a study of relevant literature, while chapter three takes a deep study on the method of the research which involves the research design, area of study, population of the study, sample size and sampling procedure. Others are the sources and types of data and instruments for data collection. Validity and reliability of research instruments and method of data collection are also contained in chapter three. Chapter four deals with presentation and analysis of data while chapter five deals with the summary of findings, conclusion and recommendations.

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CHAPTER ONE

1.1 BACKGROUND OF THE STUDY

Governments across the globe have come to reassess their ownership and involvement in enterprises that could otherwise be managed by the private sector. In many developing countries where state ownership of public enterprises were regarded as a necessary social service aimed at providing employment for their citizens, privatization and commercialization of such public enterprises have been on the increase as a result of the short comings from government ownership of such enterprises.

However, the problems of public enterprises which include ill-conceived investment, political interference in decision making, costly and inefficient use of public resources, increased budgetary burden, over-extension of government's managerial capacity, diversion of credit and other resources meant for expansion to private pockets,

abandonment of projects and the harsh economic realities have forced Nigeria government to embark on privatization and commercialization of her major enterprises like National Electric Power Authority (NEPA), Nigerian National Petroleum Corporation (NNPC) and others. Moreso, privatization and commercialization have helped to break up monopolies which hitherto have been enjoyed by some of the above named Nigerian enterprises. Therefore, central planning and state ownership has become a thing of the past citizens are encouraged to participate in the privatization and commercialization scheme of the Federal government of Nigeria.

Although method of privatization and commercialization may differ from country to country, the central objective has always been to increase revenue generation for the state, relieve the state from the burden of supporting non-performing businesses or enterprises and also to encourage competition.

Privatization and commercialization in Nigeria is not without problems. Some of these problems are bottlenecks in the system, geopolitical spread, opposition from Ministry Officials, antagonism by labour unions and unco-operative attitude of workers in enterprises to be privatized and commercialized by Nigerian government.

1.2 STATEMENT OF THE PROBLEM

The problems of privatization and commercialization in Nigeria are highlighted below.

- (a) Antagonism by labour Unions
- (b) Socio-political impediments
- (c) Geographical spread
- (d) Opposition from Ministry Officials
- (e) Bottlenecks in the system
- (f) Institutional Investors
- (g) Poor conception by workers of the affected enterprises.

1.3 OBJECTIVES OF THE STUDY

This study is aimed at achieving the under-listed objectives:

- (a) To examine the evolution and rationale for privatization and commercialization programme in Nigeria.
- (b) To evaluate the performance and contribution of privatization commercialization programme in Nigeria to socio-economic and political development in the country.
- (c) To examine critically some problems which inhibit the effectiveness of privatization and commercialization policy in Nigeria?
- (d) Make recommendations for the successful privatization and commercialization policy in Nigeria.

1.4 RELEVANT RESEARCH QUESTIONS

The following research questions were used to draft the questionnaire for the study.

- (a) How successful has the Bureau for public enterprises (BEP) been implementing the privatization and commercialization programme in Nigeria?
- (b) What are the problems associated with privatization and commercialization in Nigeria.
- (c) Is the share ownership done widely and well dispersed?
- (d) Does the opposition form labour Unions and workers in the affected enterprises regard the privatization and commercialization programme?
- (e) Is the Bureau of Public Enterprises (BEP) achieving an even geographical distribution of buyers of

government interest in the enterprises being privatized and commercialized?

1.5 RESEARCH HYPOTHESES

The following hypotheses will guide the study.

Hypothesis One:

Ho: Share ownership of the privatized and commercialized enterprises among the public is widely and equitably dispersed.

H1: Share ownership of the privatized and commercialized enterprises among the public is not widely and equitably dispersed.

Hypothesis Two

Ho: Policy of geographical equity in the divestiture process was achieved.

H1: Policy of geographical equity in the divestiture process was not achieved.

Hypothesis Three

Ho: Opposition from labour Union has direct effect on the implementation process of privatization and commercialization.

H1: Opposition from labour Union have no direct effect on the implementation process of privatization and commercialization.

1.6 SIGNIFICANCE OF THE STUDY

This study on privatization and commercialization in Nigeria, issues and problems has some benefits, which include:

- (i) Since privatization and commercialization programme is now a global trend, highlighting problems hampering it many help to improve its course.
- (ii) Privatization and commercialization programme provide useful information to policy makers,

economic planners as well as the general public interest in owning shares of some enterprises.

- (iii) This study will definitely be useful to the Bureau of public enterprise (BEP) in Nigeria as a reference material.
- (iv) Moreso, as the search for knowledge is endless, the stud will further enrich the literature on the privatization and commercialization debate with empirical evidence.

1.7 SCOPE AND LIMITATION OF STUDY

This study would focus on privatization and commercialization in Nigeria, issues and problems. Therefore, issues and problems arising from the implementation process of the report from members of the Bureau of public enterprises will serve as basis for judgment.

Nevertheless, many constraints were encountered during the course of writing this research work. As not

much has been researched into this topic, collection of data from related literature was a very serious problem. The researcher met difficulties in efforts at obtaining relevant information from officials of Bureau for public enterprises. The limited time frame made it difficult for the researcher to visit most of the Federal government enterprises to be privatized and commercialized in order to obtain reactions of the workers. The researcher was also financially constrained as he had to spent money on local transport, photocopying of materials and administering of questionnaires.

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CHAPTER TWO

2.0 LITERATURE REVIEW

2.1 CONCEPTS OF COMMERCIALIZATION AND PRIVATIZATION IN NIGERIA

Commercialization means government refusal to continue with the usual subvention to her enterprises and these enterprises are rather required to pay their way and make returns to the government through the profits they make through sales revenue from the consumers. Therefore, commercialization encourages greater commitment to the goals of the enterprises and income payments depends on the proceeds, so labour shows stronger devotion.

The term privatization means different through to different countries. However, privatization is the transfer of government owned shareholders in designated enterprises to private shareholders comprising individuals and

corporate bodies. Broadly defined, privatization is an umbrella term to describe a variety of policies which encourage competition and emphasize the role of market forces in place of statutory restrictions and monopoly powers. Shonekan (1990) in directing the proceeding on the implementation of privatization and commercialization programme defined privatization as government's divestiture of its equity ownership in enterprises, fully or partially. He stated that the decision to embark on privatization was informed by the need to curb waste in the public sector, and guarantee greater efficiency in the economy. Atake (1990) opined that privatization should lead to the general and financial independence of a company, without dependence on subsidiaries or grants from the government. That is to say that the financial needs or requirements of the privatized enterprises should be raised from the capital market. Further, the company through its shareholders should be able to elect its directors, chairmen, managing directors and all other

appointees without having any one of them imposed on the enterprises by government.

2.2 PRIVATIZATION AND COMMERCIALIZATION PROGRAMME IN NIGERIA

In Nigeria, the first bold step towards privatization and commercialization came to the limelight when the Federal Government in its budget speech of “inward-looking approach to economic recovery announced a 50 percent reduction in its subvention to parastatals with effect from 1986. In addition, President Ibrahim Babangida then announced that government would hands of agricultural production, distilleries, hotels, breweries, food beverages, distribution, electrical appliances, and all other non-strategic industries. He opined further that government’s insurance firms and other financial institutions would be divested. This brief statement was the first explicit and detailed commitment to privatization and commercialization by a Nigeria leader. This later becomes the benchmark for

subsequent national discussions on privatization and commercialization in Nigeria.

After more than two years of confidential discussions and public conjecture, the government issued degree number 25 of 1988 providing the legal framework for the reform of public enterprises system. A significant innovation in the degree was the establishment of a Technical Committee on Privatization and Commercialization (TCPC) with a broad mandate to coordinate the rehabilitation of government companies and to supervise the divestiture of shares. The TCPC represents an unprecedented effort to centralize institutional authority over state owned enterprises (SOEs) sector, and during its first year of activity, the committee made significant headway in implementing a divestiture programme and promoting reform efforts. The committee had since been transformed into the Bureau of public enterprises with the promulgation of Degree No 78 of 1993.

The evolution of Nigerian privatization and commercialization policy since 1986 has been characterized

by a lack of coordination between policy formulation and implementation. The government has devoted considerable energy to identifying the assets, sectors and companies to be affected by the privatization and commercialization programme, but there has been far less attention to delineating the means and procedures of implementation. The government has not been consistently lax in elucidating the question of management transfers and institutional reforms, nor has there been any clarification on the crucial issues of accountability.

Degree 25 of itself focuses on question of share valuation, issuance and distribution, while making no strong mention of managerial reform and institutional change. The edict offered no detailed guidelines for determining changes in the composition of the managerial boards, the appointment of executives, or the funding structures of companies. Since 1999 to date, Obasanjo's democratic government has continued to support privatization and commercialization of government owned

enterprises to enhance efficiency of these enterprises and to reduce cost on government in terms of subventions to these governments owned enterprises.

2.3 NIGERIA'S ECONOMIC SITUATION BEFORE PRIVATIZATION AND COMMERCIALIZATION

Unlike the 1960s when Agriculture was the main stay of the Nigerian economy, Nigeria earned in 1970s huge oil revenues at unprecedented levels. With this development, the government set in motion a wide-range of public sector investment involving virtually all sectors of the economy. By 1986, the numb of public enterprises had grown to over a 500, with government investment in them worth over N36 billion in the form of equity, loans, guarantees and subventions.

Usman (1997:1-21), argued that another factor that gave impetus to the above development was the perception of the state as a major promoter of economic activities, in order to stimulate economic development. This objective

sprang from the economic situation in Nigeria like most developing countries at that time, which was characterized by object poverty, illiteracy, infrastructural inefficiencies, weak capital base, and a virtually non-existent private sector. It was also in line with the post Second World War thinking in the developed countries tat the state should be a major promoter of economic activities, in order to promote their economies form recession to full employment and economic prosperity.

A strong public sector was thus considered an indispensable vehicle for propelling economic development in Nigeria, as was the case in other developing countries. Moreover, in the African context, and in relation to the post-colonial era, state control of enterprises through nationalization was a politically expedient process of gaining some degree of macro-economics independence as well as protecting their economies from continuing to be completely controlled by foreigners. The 1990s saw a resurgence of the notion that transferring assets from the public sector to

private enterprise would raise both allocative and technical efficiency, leading to greater economic well being.

Recently, both in developed and developing countries, government's role in economic activities has come under a critical focus, particularly in the light of the deplorable performance of government parastatals and companies. Series of policy measures have been adopted culminating in the development of reform measures aimed at minimizing role of government in the operation of national economics.

According to Bob Rowthorn (1987:30), in the 80s the question of ownership and economic efficiency and on a more practical level, privatization and commercialization has become a central issue of policy debate among economists. However, privatization and commercialization have formed the spearhead of the cover up and other new right attacks on the state in the advanced capitalist nations, and have also become an integral part of the economic reforms implemented in many developing countries with the encouragement of the World Bank and International

Monetary Fund (IMF). Most importantly, the collapse of the communist system in Eastern Europe and the Soviet Union – where collective ownership was the dominant form of property. This had led to various programmes of radical economic reform in which private ownership is supposedly the theoretical linchpin, although, in practice the actual pace of privatization and commercialization have typically been rather slow.

2.4 THEORIES AND MODELS RELEVANT TO THE RESEARCH

The changes and transfers involved in privatization and commercialization has economic and political dimensions particularly in a mixed economy like Nigeria where the proper roles of government in economic activities are always debated. The economic dimension seems very clear and straight forward being the acceptance of the need to re-align the multi-dimensional and conflicting objectives of profit maximization. The political argument is highly

controversial between the conservation and the liberals and concentrates on whether or not the price system is likely to allocate available resources efficiently without coercion.

Milton Friedman (1962:15) of the conservative school does not favour government participation in economic activities. His arguments centre on the jeopardization of economic and political freedom under government control. He further accuses government of deficient bureaucratic organizational ability especially in complex enterprises and of multi-dimensional and conflicting goals, which inhibit the efficiency and effectiveness of operational management.

George Stigler (1983:24) provides empirical evidence from industrialized countries to reinforce Friedman's thesis. They advocate a reliance on market forces to make government more effective. Galbriath (1978:20) highlights the limitations within the price mechanism which government intervention can overcome with regulatory agencies, subsidization policies and the provision of social services and utilities, which the private sector does not

cater for. The liberals believe that consumers are encouraged through cut-throat advertising and other promotional efforts to purchase more and more goods that are of marginal significance to them. Reinforcing this argument, Samuelson (1983:19) sees the prices system as a coercive mechanism which awards available goods and services only to those who can afford their equilibrium prices within a world economy whose income distribution is skewed against the large under-privilege class (the poor). Besides, in the process, people are awarded only a pittance by the price system and they will be coerced into discomfort and malnutrition. To Samuelson, this is a form of coercion. This situation, according to the liberals is socio-political injustice.

2.5 RELEVANCE OF THE THEORIES TO NIGERIA

Developments within the Nigerian economic system especially since independence suggest that there is rationality in both arguments. For example, the

establishment of public enterprises, and their expansion in the 1970s, with heavy subsidization policies and highly regulatory and protective functions provide a sound rationale for accepting the arguments of the liberal in Nigeria.

However, the poor performance of these enterprises and the socio-economic crisis of the 1980s with its accompanying precarious financial situation seem to have imposed stringent socio-economic conditions leading to the adoption of SAP – a document which rationalizes the argument of the conservatives on the reliance of market forces for resources allocation. In spite of the divergent views on the role of government in economic activities and also the price system under the private sector, both the conservative and liberals agree on the need for the establishment of a framework, especially in a mixed economy, in order to allow the price system to function as it should. In fact, Manfield (1983:21) refers to this framework as the rule of the game. Such rules are expected to provide

the legal, social, economic and competitive framework for the attainment of the effective and operative co-existence of public and private enterprises without pricing conflicts.

Significant under this framework are issues related to the security of private enterprises in particular, the mechanism for fraud prevention, the establishment of a monetary system and the establishment of standards for the weight and quality of products. In the case of social, economic, political and natural monopolies, the framework provides for the establishment of commissions to regulate the prices and standards of goods and services produced even within the private sector. The Nigeria constitution, national development plans, annual budgets and the Structural Adjustment Programme (SAP) offer an effective framework and delineated functions for the attainment of these goals in Nigeria. For example, privatization and commercialization in Nigeria provide a new policy dimension aimed at insulating these enterprises from bureaucratic and

stifling ministerial controls and also imposes a singular objective of profit maximization on the privatized and commercialized enterprises. Given this operational framework, what are the chances of effective privatization and commercialization in Nigeria? This depends on the perception of these concepts by the various institutions involved - governments, privatized enterprises, consumers etc, and it also depends on the optimal implementation policies.

2.6 INSTITUTIONAL FRAMEWORK FOR IMPLEMENTATION OF PRIVATIZATION AND COMMERCIALIZATION IN NIGERIA

According to TCPC final report (1993: 18, 19 and 21), there are a variety of administrative set ups that are being used worldwide to implement programmes of public enterprise reform. These set ups include:

(a) The Decentralized Approach

Under this method, each ministry is made responsible for the privatization and commercialization of public

enterprises under its supervision. The main problem with this approach is that civil service is not the most suitable organization to carryout a programme which is centered on capital of intensity of existing relationship between the ministry and the affected public enterprises. Most civil servants view such reform measures negatively as a reduction in their power and influence.

(b) The Treasury Approach

In many countries, the Ministry of Finance is charged with the responsibility of supervising the implementation of privatization and commercialization programme. In addition to the problems identified with the decentralized approach, this method also suffers from the problem of inter-ministerial conflicts.

(c) The Independent Focal Point Approach

Under this approach, an independent central organization with the necessary degree of autonomy is established. Such an organization should be accountable to

the highest political authority and be independent of the civil services. The fact that it has no vested interest in maintaining the status quo makes such an approach most suitable.

Nigeria chose the independent focal point approach and hence the establishment of the Technical Committee on Privatization and Commercialization with the following functions:-

- (i) Advise on the capital restructuring needs of the enterprises to be privatization and commercialization under the Degree in order to ensure a good reception in the stock exchange market for those to be privatization and commercialization as well as to facilitate good management.
- (ii) Carrying out all activities required for the successful public issues of the shares of the enterprises to be privatized and commercialized, including the appointment of issuing houses, stock brokers,

solicitors, trustees, accountants and other experts to the issues.

- (iii) Approach, through the appointed issuing houses, the Securities and Exchange Commission for a fair price for each issue.
- (iv) Advise the Federal Government of Nigeria, after consultation with the securities and exchange commission and the Nigerian Stock Exchange, on the allotment pattern for the sale of the shares of the enterprises concerned in accordance with section 7 of the Degree.
- (v) Oversee the actual sales, by the Federal Government of the shares of the enterprises concerned.
- (vi) Submit to the Federal Government of Nigeria from time to time, for the purpose of approval, proposals on the sale of government shares in such designated enterprises with a view to ensuring a fair

price and even spread in the ownership of the share.

- (vii) Ensuring the success of the privatization and commercialization exercise taking into account the need for balance and meaningful participation by Nigerians and foreign interest, in accordance with the relevant laws of Nigeria.
- (viii) Ensure the updating of the accounts of all privatized and commercialization enterprises with a view to ensuring financial discipline.

However, the functions of the TCPC has been replaced since 1st October, 1992 with an enabling degree No. 78 of 1993, the BEP will among other things be responsible for.

- (a) The completion of the outstanding TCPC assignment as provided in Degree No 25 of 1988.
- (b) Developing fresh initiatives for further privatization and commercialization.
- (c) Ensuring that public enterprises are managed in accordance with sound commercial principles and

prudent financial practices through provision of guidance on budgeting, accounting and administrative procedures.

- (d) Receiving and analyzing periodic and annual reports and preparing inter-industry comparisons, provision of guidance on budgeting, accounting and administrative procedures.
- (e) Coordinating inter-organizational policies and activities to prevent conflicts.
- (f) Arbitrating between organizations to ensure optimum use of resources and particularly reduce or remove duplication of effort.
- (g) Interfering with the supervising ministries to facilitate the process of negotiations between the federal government, and the affected enterprise.
- (h) Compiling and publishing operational data on the activities of affected enterprises.

2.7 OBJECTIVES OF PRIVATIZATION AND COMMERCIALIZATION

The objectives of the programme as enumerated in the inauguration address by the Federal Government of Nigeria in July 1988 are to:

- (i) To restructure and rationalize the public sector in order to lessen the dominance of unproductive investments in that sector;
- (ii) To re-orientate the enterprise for privatization and commercialization towards a new horizon of performance improvement, viability and overall efficiency.
- (iii) To ensure positive returns on public sector investments;
- (iv) To check the present absolute dependence of commercially oriented parastatal on the Treasury for funding and to encourage their approach to the Nigerian capital market;

- (vi) Creating a favourable investment climate for both local and foreign investors.
- (vii) Reduction in the level of internal and external debts, via the use of the debt conversion programme in the privatization and commercialization of certain enterprises:
- (viii) To provide institutional arrangements and operational guidelines that would ensure that the gains of privatization and commercialization are sustained in the future.

2.8 METHODS OF PRIVATIZATION AND COMMERCIALIZATION

In the course of its work, the TCPC evolved five methods of privatization and commercialization as reported in the TCPC final report (1993:22 and 23) as follows:

(a) Public Offer for Sale of Shares

Public offer for sale of shares of affected enterprises through the Nigerian capital market provided the enterprises qualities for listing on the Nigerian stock Exchange. To qualify for listing on the stock Exchange, the enterprises must have a track record of profitable operation for 5 years and history of dividend payment of not less than 5 percent for 3 years running.

(b) Private Placement

Private placement of shares of affected enterprises occurs in the cases where government holding is social that TCPC cannot persuade the majority shareholder to make a public offer of shares even where the enterprises fulfill the history requirements of the Stock Exchange. This method has also been used in cases where the full potentials of the enterprises are yet to be exploited, and need to be nurtured for a few more years.

(c) Sales of Assets

The sale of assets method occurs in cases where the affected enterprises cannot be sold either by public offer of shares or by private placement of shares because such enterprises have poor track records and their future outlooks considered hopeless. Such enterprises are normally liquidated and their assets sold piece-meal to the public through public tender.

(d) Management By Out (MBO)

Under this method the entire or substantial part of the equity capital of the enterprise is sold to the workers. It is then the duty of such workers to organize and manage the enterprise.

(d) Deferred Public Offer

This method has been used for enterprises which although considered viable. If sold by shares, they would realize revenue which would be less than the real values of the underlying assets of the enterprises. A willing

buyer/willing seller price is negotiated based on a revaluation of the underlying assets of the affected enterprises.

2.9 CONDITIONS FOR SUCCESSFUL IMPLEMENTATION OF PRIVATIZATION AND COMMERCIALIZATION PROGRAMME IN NIGERIA

- (a) Privatization and commercialization programme according to Dr. H.R. Zayyad must enjoy the support of the highest political authority in the country.
- (b) An implementation agency which has no vested interest in maintaining the status quo should be established. The head of the implementation agency must have direct access to the highest political authority in Nigeria.
- (c) The organization and staffing of the implementation agency must emphasis merit.
- (d) Transparency should be a major element in a privatization and commercialization programme. Each

affected enterprise must be studied in great detail to ensure the maximum benefit in the divestiture.

- (e) The use of consultants and knowledgeable, individuals in business finance and administration should be encouraged to ensure that the best technical advice is obtained.
- (f) In selection methods of privatization and commercialization, mass participation should be encouraged by public offers, through the stock Exchange. The quit-selling methods must be avoided.
- (g) Finally, the general public should be kept informed of what is going on at every stage in the implementation programme through a properly conceived communication policy.

2.10 IMPLEMENTATION PROBLEMS OF PRIVATIZATION AND COMMERCIALIZATION IN NIGERIA

(a) Bottlenecks in the System

Considerable delays have been experienced in the processing of share application forms resulting in frustrations for applicants who expect to utilize dividends from one issue to finance purchases in subsequent issues.

(b) Geo-political Spread

Imbalances in shareholder distribution geo-politically is another major problem efforts are made by the Bureau for public enterprises in conjunction with Federal government to increase publicity and public enlightenment so as to ensure that the level of participation is increased in those areas lagging behind.

(c) Opposition from Ministry Officials

Although Ministry Officials are not vocal in their opposition to the programme as the labour Unions, the effect of their opposition is far more devastating and harmful to the programme. Their opposition arose from their perception that the programme would reduce their power and interference.

(d) Access to Credit

Access to credit for a large body of interested persons has proved a serious problem to the success of privatizations and commercialization in Nigeria. Although licensed banks were advised by the Central Bank of Nigeria to extend credit to all interested persons, the banking systems (commercial banks selected) did not respond favourably for operational reasons. This problem dampened enthusiasm, particularly amongst the working class whose earnings are hardly sufficient to meet their normal needs let alone have surplus to invest. Employers of labour were advised to assist their employees with share purchase loans, but the response has been not encouraging at all.

(c) Antagonism by Labour Unions

Subset of the group who oppose privatization and commercialization programme on ideological grounds are these who believe that the programme is anti-labour as it will lead to mass retrenchment.

2.10.1 Benefits of Privatization and Commercialization on the National Economy

- (i) The Programme of privatization and commercialization has relieved the Federal Government of what the huge and growing burden of financing the investment needs and operate deficits of public companies.
- (ii) The volume of corporate taxes accruing to the national treasury has improved as a result of increased performance of privatized and commercialized enterprises.
- (iii) Privatization and commercialization of public enterprises have massively expanded share ownership in Nigeria. The programme has also demystified the operations of the capital market.
- (iv) The new operational autonomy of public enterprises and freedom from interference in day to day management has improved the internal efficiency of

these enterprises allowing them to liberalize purchasing and rationalize labour practices and so increase their profitability.

- (v) Floatation's of shares of privatized and commercialized enterprises have greatly stimulated the rapid growth of the Nigerian capital market. Such floatation's have helped to deepen and broaden the capital market.
- (vi) By reducing the reliance of public enterprises on the government for finance, privatization and commercialization have encouraged new investment in the enterprises concerned.

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CHAPTER THREE

3.0 METHODOLOGY

This chapter deals with the methods adopted in conducting the research.

3.1 THE RESEARCH DESIGN

The research design is mainly used in order to achieve the objective of the study. A survey method was adopted. Sources of data would include primary and secondary data.

Primary sources of data were data directly from the sample subjects in the study area. These primary data were generated through three main instruments viz questionnaires, interview and observation.

A set of structural questionnaire was designed for the relevant staff of the public enterprises, where they were asked questions relating to the problems and issues of privatization and commercialization in Nigeria. Therefore, the questionnaires are divided into two sections. Section A is made up of questions which were directed to the

respondents. Section B is for obtaining additional information that is relevant to the study.

Personal interview (face to face) was conducted to obtain further information from the subjects that were not contained in the questionnaires. Observation involved watching and recording information about the activities and conditions of the already privatized and commercialized enterprises.

3.2 AREA OF THE STUDY

The area of the study includes all the workers of the office of the Bureau for public enterprises Abuja.

3.3 POPULATION OF THE STUDY

The population in this study includes all the workers of the Bureau for public enterprises Abuja. The Bureau has a population of one hundred and forty eight employees excluding the Director General. The summary of Bureau for public enterprises staff are shown below:

Post	No	Privatization Department	Commercialization Department
Direct General		Same	Same
Director	10	6	4
Deputy Directors	10	7	3
Principal Executives	16	13	3
Senior Executives	12	7	5
Middle Executives	20	16	4
Junior Executives	20	16	4
Intermediate Staff	30	20	10
Junior Staff	30	15	15
Total	148	100	48

From the above table, only from the post of the director general to the senior executives are the relevant staff as others were supporting staff who may not be in the position to give full details of the information needed. Out of the 88 staff fell in that group, 23 are under the department

of commercialization while 65 are under the director general which now brings the total population to 66.

Stratified sampling technique was used by the researcher in selecting the sample from the population. The researcher did this by stratifying the employees into stratum. The samples were randomly selected from the stratum which equals stratum's share of the total population.

3.4 SAMPLE SIZE

The sample size is calculated using Taro Yamane's formula thus:

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

n = Sample Size

N = Population size (estimated)

e = Error margin squared = 5% = (0.05)

I = Constant

Note that the choice of 5% (0.05) proportion of sampling error is purely an exclusive decision of the researcher. Substituting in the formular above we get the following:

$$n = \frac{66}{1 + 66 (0.05)^2}$$

$$n = \frac{66}{1 + 66 (0.0025)}$$

$$n = \frac{66}{1 + 66 0.165}$$

$$n = \frac{66}{1.165}$$

$$n = 56.65$$

$$\therefore n = \underline{\underline{57}}$$

To determine the proportion from each group given above, the Bowley's proportional allocation is applied (Kurma Sam 1999:137)

where:

$$nh = \frac{nNh}{N}$$

n = the total sample size calculated above nh .

nh = number of staff in each group of the proportion

N = Population size

\therefore Director General/Directors

$$\frac{nNh}{N} = \frac{57 + 7}{66} = \frac{399}{66} = 6$$

Deputy Directors

$$\frac{nNh}{N} = \frac{57 + 7}{66} = \frac{399}{66} = 6$$

Principal Executives

$$\frac{nNh}{N} = \frac{57 + 13}{66} = \frac{741}{66} = 11$$

Senior Executives

$$\frac{nNh}{N} = \frac{57 + 7}{66} = \frac{399}{66} = 6$$

Middle Executives

$$\frac{nNh}{N} = \frac{57 + 16}{66} = \frac{912}{66} = 14$$

Junior Executives

$$\frac{nNh}{N} = \frac{57 + 7}{66} = \frac{399}{66} = 14$$

$$\text{Total} = 6 + 6 + 11 + 6 + 14 + 14 = 57$$

3.5 SOURCES OF DATA

The researcher made use of both primary and secondary data.

(i) **PRIMARY SOURCE OF DATA:** In addition to the secondary source of data, the researcher also used the following primary source of data.

Personal Interview: The researcher conducted interview with the workers of the Bureau for public enterprises by himself with the assistance of one principal executive of the Bureau. The researcher also conducted interview to the general public.

Questionnaire: The researcher administered questionnaires to the affected persons.

(II) **SECONDARY DATA:** It is used by the research from the followings:

- (a) Text books
- (b) Materials from libraries
- (c) Journals and magazines

3.6 SAMPLING PROCEDURE

The sampling procedure by the researcher is stratified sampling technique. The researcher achieved this by stratifying the categories of the employees of Bureau for public enterprises Abuja into stratum. The samples were randomly selected from the stratum which equals the stratum's share of the total population.

3.7 TEST OF VALIDITY AND RELIABILITY OF RESEARCH INSTRUMENT

According to Odo (1992:59), validity is the degree to which a test measures what it purports to measure. The instrument used for collecting data was valid since data's were got using the instrument effectively.

Odo (1992:63) stressed that reliability of an instrument is a process of obtaining information on the degree to which a measure yields similar results for the same subjects at different times or under different conditions on consistent, dependable, stable, predictable and accurate way. The research instrument used was very

reliable as consistent and dependable information was elicited from the workers through questionnaires extended to the selected population.

3.8 PROCEDURE FOR DATA COLLECTION

The questionnaires were given to the workers in Bureau for public enterprises by himself with the assistance of one principal executive of the Bureau. The researcher also conducted the interview by himself.

3.9 METHOD OF DATA ANALYSIS

Both descriptive and quantitative methods were used for data analysis. Descriptive analysis was applied to the information collected from the personal interviews. Both descriptive and quantitative analyses were applied to the information collected from the questionnaires. Frequency tables, simple percentages, spearman correlation and chi-square (X^2) distribution were also used in the analysis of data. The analysis and workings is shown in chapter four.

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CHAPTER FOUR

4.0 PRESENTATION AND ANALYSIS OF DATA

The definition of mathematical and statistical variables used in the analysis of data in this chapter is defined below:

$$(a) \quad \text{Percentage} = \frac{\text{Unit}}{\text{Total}} \times \frac{100}{1}$$

(b) Chi-square (X^2) distribution is used to test if an observation series of value differ significantly from what was expected. X^2 is a numerical figure associated with a particular group of observation.

$$X^2 = \sum_{i=1}^n (O_i - E_i)^2 / E_i$$

O_i = observed value of each variable

E_i = Expected value

Therefore, to find X^2 , square the difference between the actual and expected values of each item in the series and divide by the expected value before summing all of them.

(c) The Spearman rank Correlation (Rho) used to determine the level of association between two variables. It is defined as shown below.

$$\text{Rho} = 1 - \frac{6 \sum_{i=1}^n d_i^2}{n(n^2-1)} \text{ where}$$

$$d_i = R(X_i) - R(Y_i)$$

$$R(X_i) = \text{rank of variable } X_i$$

$$R(Y_i) = \text{rank of variable } Y_i$$

$$n = \text{number of pairs of variables.}$$

The relevant research questions and hypotheses stated in chapter one for gathering data and subsequently for finding solutions to the problems being studied are analyzed accordingly using the perception of the respondents.

Research Question One:

How successful has the Bureau for Public Enterprises (BEP) been implementing the privatization and commercialization programme in Nigeria?

Table 4.1 below shows the perception of the respondents to the above question:

TABLE 4.1

Responses	No. of Respondents	Percentage
Excellent	8	14.04
Very good	5	8.77
Good	10	17.54
Fair	34	59.65
Bad	0	0
Total	57	100

The result of the above table shows that the implementation of privatization and commercialization programme in Nigeria is fair judging from the response of the respondents.

Research Question five

Is the Bureau of Public Enterprises (BEP) achieving an even geographical distribution of buyers of government interest in the enterprises being privatized and commercialized?

Table 4.2 below shows the perception of the respondents to research question five:

TABLE 4.2:

Responses	No. of Respondents	Percentage
Strongly agree	2	3.50
Agree	11	19.30
Don't know	4	7.02
Disagree	15	26.32
Strongly disagree	25	43.86
Total	57	100

From the above table, a total of 40 respondents representing 70.18% either disagree or strongly disagree that even geographical distribution of buyers of government interest in the enterprises being privatized and commercialized is being achieved by Bureau for public

enterprise while 19.30% agree to the research question and 7.02% do not know the answer to the question. Therefore, geographical equity was not achieved.

Research Question Three

Is the share ownership done widely and well dispersed.

Table 4.3 below shows the responses of the respondents to the above question.

TABLE 4.3:

Responses	No. of Respondents	Percentage
Strongly agree	5	8.77
Agree	4	7.02
Don't know	11	19.30
Disagree	17	29.82
Strongly disagree	20	35.09
Total	57	100

The above table shows that a total of 64.91% of the respondent either disagree or strongly disagree that share

ownership of the privatized and commercialized companies among the public is widely and equitably dispersed 7.02% agreed and 19.30% do not know.

Research Question Four:

Does the opposition from labour unions and workers in the affected enterprises retard the privatization and commercialization programme?

Table 4.4 below shows the responses of the respondents to the research question 4 above.

Responses	No. of Respondents	Percentage
Yes	54	94.74
No	1	1.75
Indifference	2	3.51
Total	57	100

From the above table, 94.74% of the respondents agree that opposition from labour unions and workers in the affected enterprises retard the privatization and

commercialization programme. 1.75% said no to the question while 3.51% are indifferent.

Research Question Six

Is the level of awareness created on privatization and commercialization programme in Nigeria inadequate?

Table 4.5 below shows the responses of the respondents to research question 6 above.

Responses	No. of Respondents	Percentage
Yes	54	94.74
No	2	3.51
Indifference	1	1.75
Total	57	100

Table 4.5 above shows that 94.74% of the respondents were of the view that inadequate awareness on privatization and commercialization were created while 3.51% had contrary view and 1.75% remained indifferent.

4.1 DATA PRESENTATION

The research hypotheses stated in chapter one will now be tested to determine their validity.

4.2 DATA ANALYSIS

Ho: Share ownership of the privatized and commercialized enterprises among the public is widely and equitably dispersed.

H1: Share ownership of the privatized and commercialized enterprises among the public is not widely and equitably dispersed.

Assuming a level of significance of 0.05 i. e. $\alpha = 0.05$ and with reference to table 4.3, the calculations are shown in the table below:

Hypothesis 1: Table 4.6

Responses	O_i	E_i	(O_i-E_i)²	(O_i-E_i)²/E_i
Strongly agree	5	11.4	40.96	3.59
Agree	4	11.4	54.74	4.80
Don't' know	11	11.4	0.16	0.01

Disagree	17	11.4	31.36	2.75
Strongly disagree	20	11.4	73.96	6.49
Total	57			17.64

E_i = Total observed frequencies

No of objects

E_f = $57/5 = 11.4$

Df = Degree of freedom

$r - 1$ where

R = No of row

but $r = 5$

$Df = r - 1 = 5 - 1 = 4$

Therefore, using statistical table at

$X^2_{0.05}$ with Degree of freedom = $Df = 4$

$X^2 = 9.488$

Calculated $X^2 = 17.64$

Decision Rule:

Reject H_0 if X^2 calculated is greater than X^2 value from table if otherwise accept H_0 .

∴ Since $17.64 > 9.488$ which means that calculated $X^2 >$ table value of X^2 we therefore reject H_0 and accept H_1 , we, therefore, conclude that share ownership of the privatized and commercialized enterprises among the public is not widely and equitably dispersed.

4.3 TEST OF HYPOTHESIS

H_0 : Policy of geographical equity in the divesture process was achieved.

H_1 : Policy of geographical equity in the divesture process was not achieved

Also we assume $\alpha = 0.05$ and with reference to table 4.2;

Hypothesis 2: Table 4.7

Responses	O_i	E_i	(O_i-E_i)²	(O_i-E_i)²/E_i
Strongly agree	2	11.4	88.36	7.75
Agree	4	11.4	0.16	0.05
Don't know	4	11.4	54.76	4.80

Disagree	15	11.4	12.96	1.14
Strongly disagree	25	11.4	184.96	16.22
Total	57			29.92

$$E_i = 57/5 \cdot 11.4$$

$$Df = \text{Degree of freedom} \quad (5-1) = 4$$

Therefore, from statistical table of chi-square

$$X^2 = 9,488 \quad \text{while } X^2 \text{ calculated} = 29.92$$

Decision Rule:

We reject H_0 if X^2 calculated $>$ X^2 table value, if otherwise accepts H_0 .

$\therefore X^2$ Calculated $>$ X^2 value; from table, we therefore reject H_0 and accept H_1 .

H_1 which states that policy of geographical equity in the divestiture process was not achieved are accepted based on the above calculations and decisions rule.

Hypothesis three

Ho: Opposition from labour Unions have direct effect on the implementation process of privation and commercialization.

Hi: Opposition from labour Unions have no direct effect on the implementation process of privation and commercialization.

We assume $\alpha = 0.05$ and with reference to table 4.1 and table 4.5

Responses	X	Y	R(Xi)	R(Yi)	$D_i = r(X_i) - R(Y_i)$	df^2
Yes	54	54	3	3	0	0
No	1	2	1	2	4	1
Indifference	2	1	2	1	1	1
Total	57	57			$\Sigma df^2 = 2$	

The values of x and y are ranked from the lowest to the highest starting with rank 1 for the lowest and rank 3 for

the highest accordingly. The ranks of x and y are denoted by $R(X_i)$ and $R(Y_i)$ respectively.

Spearman Rank Correlation (Rho) formula states that:

$$Rho = 1 - 6 \frac{\sum_{i=1}^n d_i^2}{n(n^2 - 1)}$$

$$Rho = 1 - 6 \frac{\sum d_i^2}{n(n^2 - 1)}$$

substituting values from table of hypothesis three in the above equation, we have

$$Rho = 1 - \frac{6(2)}{3(3^2 - 1)} = \frac{1 - 12}{3(8)}$$

$$\implies \frac{1 - 12}{24} = 1 - 0.5 = \underline{\underline{0.5}}$$

The positive result of 0.5 got from the above calculation between the opposition from labour unions and inadequate awareness of privatization and commercialization programmes contained in research questions 4 and 6 respectively.

Therefore, converting 0.5 to t – score to test for the validity of the correlation.

$$\text{Rho} = \sqrt{\frac{n-2}{1-\text{Rho}^2}}$$

$$\text{where } n = 3$$

$$= 0.5 \sqrt{\frac{3-2}{1-0.5^2}}$$

$$= 0.5 \sqrt{\frac{1}{1.0.25}}$$

$$0.5 \sqrt{\frac{1}{0.75}}$$

$$= 0.5 \sqrt{1.333}$$

$$= 0.5 (1.15) = 0.575 = 0.58$$

$$\text{Degree of freedom} = \text{Df} = n - 2 = 3 - 2 = 1$$

The critical value of t for $\alpha = 0.05$ and 1 degree of freedom equals 6.30 from the table of t = distribution.

Therefore, $t = 0.58$ to $95 = 6.31$

Decision Rule:

Accept H_0 if t calculated is less than ($<$) t - table value, but t - calculated = 0.58 and t - table value = 6.31:. $0.58 < 6.31$, H_0 is accepted and H_1 is rejected. This means that opposition from labour unions have direct effect on the implementation process of privatization and commercialization.

CHAPTER FIVE

SUMMARY OF FINDINGS, CONCLUSION AND RECOMMENDATIONS

5.1 SUMMARY OF FINDINGS

This research centers on privatization and commercialization in Nigeria, issues and problems. Findings from analyzed data reveal that the implementations of privatization and commercialization programme in Nigeria by Bureau for Public Enterprises in fair. However, it was discovered from the respondents' responses in chapter four that Bureau for public enterprises in have not achieved an even geographical distribution of buyers of government interest in the enterprises being privatized and commercialized, and share ownership of privatized and commercialized enterprises are not widely and equitably dispersed.

Moreso, opposition from labour unions and workers in the affected enterprises to be privatized and commercialized

retard the privatization and commercialization programme in Nigeria. In addition, the level of awareness created on privatization and commercialization programme in Nigeria is inadequate. Hypotheses tested using different statistical tools confirm the above findings to be correct.

5.2 CONCLUSION

This study has shown that privatization and commercialization have both economic and political dimensions in Nigeria. The complex nature of Nigeria and the controversy which surrounded the programme adversely affected the implementation process of privatization and commercialization in Nigeria.

From the findings of this study, it has been established that share ownership of the privatized and commercialized companies among the public is not widely and equitably dispersed. Although selected banks were advised to extend credits so interested public, the response has not being encouraging, because some of these banks

lack enough resources to grant such credits. Therefore, inequitable distribution of liquidity and wealth among the Nigerian populace affected the policy of equitable share ownership.

Regional imbalance in the distribution of privatized and commercialized shares is also one of the problems that retard privatization and commercialization in Nigeria. Efforts should be made by the government to reduce the imbalance through improved awareness. The problems of opposition from different strata in the society which also affects privatization and commercialization programme in Nigeria can be reduced by Bureau for public enterprises through confidence and interest building in the minds of Nigerian citizens. Also the Bureau for public enterprises should endeavour to exhibit transparency and opens in the implementation process of privatization and commercialization in Nigeria.

5.3 RECOMMENDATIONS

The Bureau for public enterprises should carry out grass root awareness on privatization and commercialization in Nigeria to sensitize the rural populace on the importance of the programme. There should be full information on rationales, methods and procedures on lists of enterprises to be privatized and commercialized to avoid stiff oppositions.

There should be full support of the highest level of authority in Government at all times to arise the interest of both domestic and foreign investors. In addition, enabling environment such as favourable economic and political stability should be created for effective and efficient implementation and privatization and commercialization in Nigeria.

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APPENDIX A

Management Department
University of Nigeria
Enugu Campus.

March, 2010.

Dear Respondent,

I am a post-graduate student of the above Institutions carrying out a research work on “privatization and commercialization in Nigeria, Issue and problems”.

Please assist me with relevant information on the above topic. A information supplied will be treated in strict confidence.

I assure you that the research is purely an academic work in partial fulfillment of the requirement for the Award of Masters Degree in Business Administration.

Thanks for your co-operation.

Yours faithfully,

Okoli Calistus Ejike

SECTION B**QUESTIONNAIRE**

Instruction; Tick [] in the correct box that best corresponds to your answer.

1. How can you rate the implementation process of the privatization and commercialization so far?

- (a) Excellent [] (b) Very good [] (c) Good []
(d) fair [] (e) Bad []

2. To me share of ownership of the privatized and commercialized companies among the public is widely and equitable dispersed.

- (a) Strongly agree [] (b) Agree [] (c) Don't know []
(d) Disagree [] (e) Strongly disagree []

3. In my opinion, policy of geographic equity in the divestiture process was achieved.

- (a) Strongly agree [] (b) Agree [] (c) Don't know []
(d) Disagree [] (e) Strongly disagree []

4. Only the policies of privatization and commercialization posed problems in the implementation.

(a) Yes [] (b) No []

5. Opposition from labour unions has retarding effect on the privatization and commercialization exercise in Nigeria.

(a) Yes [] (b) No []

SECTION B

6. In my opinion, commercialization and privatization policies were well formulated.

(a) Strongly agree [] (b) Agree [] (c) Don't know [] (d) Disagree [] (e) Strongly disagree []

7. Please, list some factors that can pose problems to the on going privatization and commercialization.

- (i)
- (ii)
- (iii)
- (iv)
- (v)

8. Trust and confidence of members of the public is needed for commercialization and privatization to be Nigeria.

(a) Yes [] (b) No []

9. Has political instability in the country any effect on the implementation process of privatization and commercialization?

(a) Yes [] (b) No []

10 Does privatization of the enterprises privatized and commercialized?

(a) Yes [] (b) No []

11. Please, make suggestions on how the privatization and commercialization programme can be efficiently and better carried out in Nigeria.

- (i)
- (ii)
- (iii)
- (iv)
- (iv)

APPENDIX B

INTERVIEW QUESTIONS

1. The issue of equity and distribution of shares among the public of the privatized and commercialized enterprises has been criticized by many.
 - (a) What are the guiding principles in allocation shares to members of the public?
 - (b) What efforts does your committee made to solve problems that arose from the share allocation?
2. Why have labour union and workers of privatized and commercialized enterprises being opposing the programme?
 - (a) What are you doing to eliminate or control these oppositions?
 - (b) How do you carry out awareness on privatization and commercialization in the country?
 - (c) What level of impact has awareness you created?