

Privatisation: The Strategic Options as Pathway to Nigerian's Sustainable Economic Development

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Abstract: The study examines the strong reasons for privatization as a way of getting Nigeria on the right path to sustainable economic development. It makes a clear distinction between economic growth and development and submits that there is the need to promote policies that will enhance sustainable economic development and not just economic growth which the nation has witnessed in decades past. The study uses both secondary and primary data with two hypotheses formulated and analyzed using Pearson Moment Correlation Coefficients. The results of the field data were highly revealing, inspiring and motivating. The study finally makes clear policy recommendations which could help fertilize the privatization, drive of the government and thus serve as the path-way to sustainable economic development such as promotion of entrepreneurial studies in the nations universities as catalyst to development, creation of a political environment conducive to economic development, better man-power development and efficient allocation the development of agriculture by all the 3-tiers of governments, mobilization and the use of capital and the dismantling of artificial monopolies and creation of competitive market, amongst others.

Key words: Strategic, pathway, sustainable, economic, development, Nigeria

INTRODUCTION

Privatization has become a major strategy adopted world-over to improve the performances of public enterprises. It is a known fact that one feature of public enterprises all over the world but more importantly in developing countries of Africa especially Nigeria is inefficiency, bureaucracy of public enterprises and uncared attitude of most public servants or most people to public work and property. This leads to waste, slow growth and inordinate dependence on government support (in the form of annual subventions) even when the activity is apparently a profitable line.

As a way of improving the fortunes and performance of these enterprises through which profit orientation will be the motive of these enterprises, privatization is being canvassed such that government would divest itself of its ownership interest and allow private sector to buy over these companies. In Nigeria today, the private sector is increasingly being recognized as the motivating force that fosters economic progress. This has been supported by several empirical studies conducted in different countries that had previously had excessive state intervention and/or involvement in the economy.

In Nigeria, the oil boom of the 1970's among other factors gave impetus to a public sector-led government strategy. Public sector dominance was also prevalent in order to give government an increasing measure of

control over its own resources (Obadan, 2000). The dwindling revenue of government as a result of the economic crisis of the 1980's coupled with the dissatisfaction with the performance of the public, compelled Nigeria to adopt the privatization and commercialization programme in 1988.

Today, in Nigeria, privatization of key government business is no longer a household talk but it has become a major issue in the mind of every meaningful Nigeria if these public corporations/companies must live-up to required standard, be efficient and give good returns to its owners. In the light of the above, the objectives of this study are to examine the meaning of privatization which has been thoroughly discussed earlier, the meaning of growth and development and the difference between the two. The study analyzed the results of the field data based on the two hypotheses formulated and it makes clear and precise policy recommendations which could serve as road map to a sustainable economic development.

Statement of problem: The inefficiency of government run public enterprises today that calls for the privatization of these enterprises. However, one notes that privatization may not likely be the only solution of getting government-run enterprises on the ideal path of efficiency, deregulation and market oriented economy. The study therefore, believes that there should be some silent

initiatives that if properly harnessed could be the shining light to lead the nation's ship to the desired harbour.

Research hypothesis: The study makes use of two hypothesis which will be tested with the aid of Pearson Moment Correlation Coefficient. These hypotheses are:

HO₁: Privatization of public enterprises cannot bring positive impact in promoting economic development

HO₂: Privatization is not a major road map to Nigeria's sustainable economic development

The earlier hypothesis will be tested after a well structured questionnaire have been administered to get the views and feelings of respondents as regards privatization and the strategic options to sustainable economic development.

Conceptual/theoretical issues: Privatization carries a wide range of possibilities from decentralization at one end to market discipline at the other. In a broad sense, it involves not only the sale or other form of transfer of state assets but also the transfer of the management of state enterprises to the private sector (Agada, 2002). This is accompanied by a radical reallocation of available productive resources, restructuring of existing institutional setting in which production takes place and the introduction of new methods of corporate government devoid of political interference (Jerome, 1996).

Nigerian former Military President, General Babangida made the first categorical official statement of intent on privatization in January, 1986 during the yearly budget speech. He claimed that there were about 500 companies and parastatals in which the federal government had invested over N36 billion as equity loans and subventions but from which she had been realizing <N500 million annually. These enterprises also marred huge debts which were being repaid and serviced by government (Ibidunni, 2005). Agada (2002) reported on hotels that government by August, 2002 when she divested from both NICON and Sheraton made a combined loss of N37.750 billion on the two hotels. This was because it inherited debt of N250 million from NICON and \$145 million from Sheraton. It must be noted that much of the debt arose from inflated contracts. Today, privatization can be seen as the sale and transfer of state owned assets (public utility) to private individuals/private companies to be run purely on economic basis (profit oriented basis). On types of privatization, scholars believed that there are three main types. These are:

- Share Issue Privatization (SIP) selling shares on the stock market
- Asset Sale Privatization selling the entire firm to an investor, usually by auction
- Voucher privatization shares of ownership are distributed to all citizens, usually not free or at a very low price

On Argument for privatization, Makalou (1999) asserts that government runs businesses inefficiently for the following reasons:

- Performance: The government may only be interested in improving a company in cases when the performance of the company becomes politically sensitive
- Improvements: Conversely, the government may put off improvements due to political sensitivity-even in cases of companies that are run well
- Corruption: The government may become prone to corruption; company employees may be selected for political reasons rather than business ones
- Goals: The government may seek to run as a positive effect by critics of privatization
- Capital: It is claimed by supporters of privatization that privately held companies can easily move capital in the financial markets than publicly owned ones
- Philip believes that governments may bail out poorly run businesses with money when economically, it may be better to let the business fold
- Political influence is also another reason. Shaffeadin noted that nationalized industries could prone to interference from politicians for political/populist reasons. Examples include making an industry buy supplies from local producers. It is also argued that such measures can cause nationalized industries to become uneconomic and uncompetitive

The arguments for privatization in Nigeria according to Ibidunni (2005) include the followings:

- With the enterprises in the hands of private investors, it is argued that there will be economic efficiency
- Equity is very crucial in the provision of goods and services. The operators are always considering private income and wealth; hence all strata of the population are in consideration
- Organization and management, through incentives, communication, consultation, collective bargaining and creativity make privatization result in better rewarding system
- It helps to reduce government regulation of the economy making room for greater deregulation and operation of market forces

- It encourages competition as private initiatives in the privatized industries increase. Money and Business (2004) on Italian TV privatization, it was reported that the government said that the expected emergence of many new channels is a guarantee of competition in itself
- It reduces the burden on the dwindling resources of the government
- It will help restructure the Nigerian economy to relocate public fund to efficient users, create a self-sustaining culture, attract foreign investors while goods and services will reflect real value
- Overtime the economy will shift from consumption oriented to production oriented one. This helps in the motivations of the work force and instilling of work ethics and greater discipline

To sum it up these supporting arguments, the primary goal of the privatization programme is to make the private sector the engine of growth of the economy. Overtime, through massive investment and participation, Nigeria has developed a large public sector that had not only crowded out the private sector but has become a disincentive to growth of the private sector because of the deplorable conditions.

Financial Standard Newspaper of May 10, 2004 reports that as at May 1999, the Federal Government Investments (FGI) in public enterprises were in the region of \$100 billion. This is the opportunity cost that Nigerians had to make in the improvement of their investments.

Argument against privatization: However, in spite of the succinct and logic argument put forward by the proponents of privatization, opponents of reforms dispute the claims made by proponents of the system especially the ones concerning the alleged lack of incentive for government to ensure that the enterprises they own are well run on the basis of the ideas that government must answer to the people. It is argued, according to Ogwemoh (2003) that a government which runs nationalized enterprises poor will lose public support and votes while a government which run those enterprises well will gain support and votes. Thus, democratic government, under this argument, does have an incentive to maximize efficiency in nationalized companies due to the pressure of future elections.

Furthermore, Ollisadebe and Ajakaiye (1997) argued that it is undesirable to let private entrepreneurs own public institutions for reasons which are in legion such as undue profiteering at the expense of the citizenry; corruption and lack of public accountability; reduction in essential services and inefficiency which will all be at the

detriment of the masses; creation of natural monopolies; insecurity and mass unemployment resulting from mass layoff of workers all in attempt for maximum profit etc.

The distinction between economic growth and development: Economic growth is defined as an increase in real per capital income over time (Essang and Olayide, 1974). In the above definition, nothing is implied as to the sources of the increase in the per capita income, the distribution of the income or the changes in factor supply and in the structure of the economy generally.

Economic development, on the other hand is a much broader term. It is essentially a process where by the real per capital income increases over time. In considering economic development however, one has to look at those characteristics of the economy which make possible sustained and cumulative growth in the real per capita income. Among such characteristics are qualitative improvement in Labour, a rational system of resources allocation in the interest of efficiency, the development of administrative, political and physical infrastructure and a distribution of income conducive to national integration.

The distinction between economic growth and economic development is significant in several respects. First, it implies that a country may be ranked very high in the scale of economic growth, although in terms of development, it may find itself at the bottom of the scale. For example, Venezuela and Kuwait in terms of growth which is measured through per capita income, ranked much higher than Egypt and Israel, respectively. However, no one doubts the fact that Egypt and Israel have created more conditions for sustained growth than Venezuela and Kuwait, respectively.

The definition of economic development places emphasis on the sources of growth in real per capita income as against the definition of economic growth which is not interested in how growth is brought about.

A country that is interested on economic development concerns itself on a number of issues which relate to:

- It worries whether its growth and development rest on the exploitation of many resources or a single resource which might be very dangerous or delicate
- It concerns itself whether its growth comes from employment of few or many indigenes through large number of medium and small scale enterprises
- A country that interest itself on development worries whether its growth and development rest on the skill and entrepreneurship of foreigners or whether it is based on indigenes efforts as, we have in Nigeria

MATERIALS AND METHODS

The study makes use of data with a structured questionnaire. In all, 140 questionnaires were issued to respondents. Out of this numbers, 136 questionnaires were collected back by the researcher while the researcher rejected 6 of the questionnaires because the respondents did not properly fill them. This means that the researchers based the analysis on 130 properly filled questionnaires.

The distribution of the questionnaires cut across different socio-economic strata, such as upper class, middle class and lower class in the society. Students of tertiary institutions were also not left out in the distribution. The researcher also distributed some to workers in media houses, teachers, financial institutions such as banks, insurance houses, traders, etc.

The Likert scale was used in the design of the questionnaires. This affords the respondents the choice of alternatives as the alternatives ranges from Strong Agree (SA); Agree (A); Undecided (U) Disagree (D) to Strongly Disagree (SD).

The questionnaire was technically structured to reflect the issue at hand.

Testing of hypothesis one: The Karl Pearson Product Moment Correlation Coefficient is used to analyze the result of the field data. This Pearson Moment Correlation formula is given as follows:

$$r = \frac{\sum(X - \bar{X})(Y - \bar{Y})}{\sqrt{\sum(X - \bar{X})^2 \sum(Y - \bar{Y})^2}}$$

	X	Y	X - \bar{X}	Y - \bar{Y}	(X - \bar{X})(Y - \bar{Y})	(X - \bar{X}) ²	(Y - \bar{Y}) ²
SA	53	46	27	20	540	729	400
A	49	56	23	30	690	529	900
U	16	13	-10	-13	130	100	169
D	6	9	-20	-17	340	400	289
SD	6	6	-20	-20	400	400	400
Total	130	130	0	0	2100	2158	2158
	$\bar{X} = 26$		$\bar{Y} = 26$				

$$r = \frac{\sum(X - \bar{X})(Y - \bar{Y})}{\sqrt{\sum(X - \bar{X})^2 \sum(Y - \bar{Y})^2}}, r = \frac{2100}{\sqrt{(2158)(2158)}} = 0.973 \therefore r = 0.973$$

Testing the significance of correlation. Note that the r = 0.973 and n = 5 from the above table. Using the t-statistics:

$$t = r \sqrt{\frac{n-2}{1-r^2}}$$

We therefore obtain:

$$t = 0.973 \sqrt{\frac{5-2}{1-(0.973)^2}} \therefore t = 7.52$$

Decision rule: The tabulated value of $\alpha = 0.05$ for 3 degree of freedom is 3.182. Hence, the computed is greater than the tabulated. i.e., 7.52 > 3.182.

We therefore, reject Ho₁ and accept the alternate hypothesis H_{o2} which states that privatization of public enterprises will bring positive impact in promoting economic development.

Testing hypothesis two

	X	Y	X - \bar{X}	Y - \bar{Y}	(X - \bar{X})(Y - \bar{Y})	(X - \bar{X}) ²	(Y - \bar{Y}) ²
SA	46	56	20	30	600	400	900
A	53	43	27	17	459	729	289
U	9	12	-17	-14	238	289	196
D	16	10	-10	-16	160	100	256
SD	6	9	-20	-17	340	400	289
Total	130	130	0	0	1797	1918	1930
	$\bar{X} = 26$		$\bar{Y} = 26$				

From these calculations and substituting into the correlation formula:

$$r = \frac{1797}{\sqrt{(1918)(1930)}} = \frac{1797}{1923.99} \therefore r = 0.934$$

Testing the significance of correlation. Note that the r = 0.934 and n = 5 from the above table. Using the t-statistics:

$$t = r \sqrt{\frac{n-2}{1-r^2}}$$

We therefore obtain:

$$t = 0.934 \sqrt{\frac{5-2}{1-(0.934)^2}} \therefore t = 4.53$$

Decision rule: The tabulated value of $\alpha = 0.05$ for 3 degree of freedom is 3.182. Hence, the computed is greater than the tabulate, i.e., 4.53 > 3.182. Since r calculated is greater than the tabulated, we therefore reject the null hypothesis and accept the alternate hypothesis which states that privatization is of public enterprises which be a major road map to Nigeria's sustainable economic development.

RESULTS

Data analysis and results of findings: The researcher used the Pearson Moment Correlation Coefficients to analyze the data. In each of the tables two set of questions were used. A question goes for the independent variables X and another question goes for the dependent variable Y. The first table deals with two questions (for X and Y) that have relation with the first hypothesis to find out whether privatization of public enterprises can bring positive impact in promoting economic development. The result obtained was highly revealing and it showed a highly positive correlation between the independent (X) and dependent (Y) variables as a final figure of 0.973 was obtained.

The second hypothesis did not prove too different from the first one. The result 0.934 of the second hypothesis was also inspiring and instructive as it shows a high level of position correlation between the dependent variable (Y) and the independent variable (X).

The two results show that the nation desires privatization of its Public enterprises in order to promote efficiency, competition, quality product and fair prices.

DISCUSSION

Measures for accelerating economic development in Nigeria

The creation of a political environment conducive to economic development: One of the most important measures for accelerating economic development is the creation of a political environment conducive to development. Essang and Olayide (1974) and Ogwemoh (2003) believed that such environment calls for the existence of a political leadership not only committed wholly to economic development but also with a clear sense of direction as to what are the objectives and implications of rapid economic development. Such a leadership must possess integrity, discipline, courage and above all, a strong sense of patriotism which makes him place the overall interest of the country above sectional, ethnic, religious or class interest.

Existence of political stability is essential to the development of economic resources of the less developed nations. Though, it is very difficult to maintain an atmosphere of such stability in Nigeria and most of the developing countries of Africa, the elite in these nations in the armed forces, trade unions, banking, educational sector, religious organizations, political parties, etc., would do well to realize that the dream of rapid economic development will remain only a dream unless there is a reasonable degree of stability in the political system. The

present democratic structures in Nigeria and in many other African countries must be allowed to stay and flourish.

Man-power development and efficient allocation: Although, the shortage of capital has been given pride of place as an obstacle to development, it must never be forgotten that availability of trained, skilled, adaptable and mobile man-power is ultimately the central determinant of economic development.

It is however, one thing to have trained man-power but quite another thing to allocate them efficiently. Instances abound where engineers, accountants and other highly skilled personnel, trained at high cost, end up in secondary schools or trading because they cannot get jobs for which they were trained even though many of these multinational companies import the same skills at a high cost.

Mobilization and use of capital: There are a number of measures which Nigeria can adopt to mobilize capital and ensure a much more efficient allocation of funds. These include establishment of thrift societies, a proper assessment and collection of thrift societies, saving banks, a proper assessment and collection of taxes and a severe restriction on capital exports by foreign companies and indigenous businessmen and politicians. With respect to the use of funds, as much as possible, efforts should be made to substitute the abundant and cheap factor, labour, for the scarce factor, capital. To aid the substitution process, governments should make interests rates reflect the true scarcity of capital and should discourage wage claims which utterly overstate the opportunity costs of labour.

Nationalism: The word nationalism is a bad word in the eyes of many economists. Historically, it has been an important factor in economic development. The foundation of the English industrial Revolution was laid by the highly nationalistic merchants of the 16th, 17th and 18th centuries. In the United States, the great economic expansion of the late 19th and early 20th centuries under high and rigid tariff walls reflected a high degree of economic nationalism. The same is true of the economic transformation of Communist China.

Nationalism has a positive influence on economic development in several ways. It engenders self-reliance and makes a country increasingly independent of foreign aid-whether by way of loans or technical advice. Nationalism according to Essang and Olayide (1974) provides an ideological weapon in the attempt of developing countries to control the levels of economic

power through nationalization, indigenization or other measures. It creates in the citizens a pride in the product of their country, a pride which makes the English prefer English-made materials, no matter where they may be. This type of pride is still sadly lacking in Nigeria today where the citizens still look upon domestically produced goods as inferior to imported commodities. In this regard, the current ban on many imported goods such as Shoes, types, clothing materials by Obasanjo administration is a right step in the right direction.

The youth agricultural revolution: A strategic option that will set Nigeria on the right path to sustainable economic development is for the government to join hands with private individuals to form Agriculture partnership. Government and the private entrepreneurs should pull resources together to form agricultural partnerships. This will be done both at the federal and state levels. The programme is to be tagged. The youth agricultural revolution. The programme will involve an initial huge take-off capital in terms of provision of infrastructures. Luckily, Nigeria as a country is blessed with many suitable large farming lands, suitable for different line of crops. The country will be divided into zones, at least 10 zones. Each zone will be used for different kind of crop depending on suitability i.e., the zone at Kwara/Oyo state could be used for crops such as Cassava, Guinea Corn and maize etc., while the zone around Benue will be devoted to crop such as yam. In this regard, I call on the Federal Government of Nigeria to change the present NYSC programme to the youth agricultural revolution in which Youth Corpers will be made to serve in these farms established in the different zones of the country instead of the present teaching in secondary schools.

In each zone, there will be infrastructures such as hostels, hospital and roads vehicles for transportation to farms while, the hostels and hospitals will be built inside the farms. Government is to go into partnership with the private sectors in order to set up these farms. The partnership will make the programme to be self-accounting, efficient and profitable.

The hotels and hospital will make the place serve as mini villages on their own. Youth will be employed in these areas. This again will have multiplied effects in reducing unemployment and it will provide raw materials to Agro-Allied Industries.

CONCLUSION

Privatization programme, if faithfully implemented has the potential of making the private sector the engine of

growth of the economy. Privatization is no doubt a fruitful economic policy if sincerely implemented.

It would open new opportunities, increase private sector participation in the economy, expand capital markets, equity funding inflow of investment, job creation and engender continued deregulation, provide modern infrastructure, new technology and improved efficiency.

Privatization is an economic policy of much relevance and importance world-wide and it has the capacity of promoting efficiency.

Of much importance is that privatization would promote competition among the major actors in the system.

With competition, there will be provision of better quality products by manufacturers. Competition also has the positive effect of bringing down prices of products and all these will definitely promote better quality of life among the citizenry.

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