MANAGING THE CHALLENGES OF PUBLIC ENTERPRISES IN NIGERIA AND THE PRIVATIZATION OPTION

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ABSTRACT
One of the motivating factors for establishing public enterprises in Nigeria is to facilitate social and economic development in sectors that are not considered expedient for private sector investment by foreign and local investors. However, the public enterprises established to fill this vacuum have been faced with many challenges that constrained their ability to perform optimally. The privatization of public enterprises has been suggested as a panacea for solving the challenges facing public enterprises in Nigeria. The extent to which this objective has been realized is still subject to controversy. This paper examines the challenges facing public enterprises in Nigeria with a special focus on the privatization option. The paper concludes that although many of the challenges facing privatized public enterprises in Nigeria have been drastically reduced in the post privatization era much still needs to be done in ensuring that Nigerian consumers enjoy maximum benefits in the services provided by companies that emerged from the privatization exercise.

Keywords: Motivation, Public enterprises, Economic Development, Investment and Privatization

INTRODUCTION
The origin of the involvement of the Nigerian government in the setting up of public enterprises can be placed within the context of Nigeria’s colonial and postcolonial experiences. During colonial rule and after independence in 1960, it was discovered that it was imperative that the government must be involved in business activities as an entrepreneur to perform some business roles, secure economic independence and economic development for the nation because of the absence of capable indigenous entrepreneurs with enough technical knowhow and financial capacity to compete with foreign firms operating in the country then. Therefore, public enterprises (PEs) were established expressly to combat the dependence on foreign enterprises, to reduce the export of capital and most importantly to engage in those enterprises which are not so attractive to local and foreign investors but which are nonetheless necessary for the development of the country (Ake, 1982). Thus, in Nigeria, one of the factors that accelerated the growth of public enterprises was the indigenization policy of 1972 as enacted by the Nigerian Enterprises Promotion Decree. It was designed to control the commanding heights of the economy by Nigerians not foreigners as was the case previously. The policy further provided the much needed legal basis for extensive government participation in the ownership and control of significant sectors of the economy (Adeyemo, 2005). Thus from inception, public enterprises
were established through the instrumentalities of the application of state power to fill an observed vacuum in the economic development of the country. Decades after independence the Nigerian government has continued to run these PEs for other sociopolitical and economic reasons other than those adduced shortly after independence in 1960. Some of the reasons the federal government has continued to run PEs include the shortage of local capital for expansion and technological improvements; control of the commanding height of the economy by government to prevent a few elites from enriching themselves at the expense of majority of Nigerians; correction of market failure resulting from monopoly and misallocation of public resources; facilitating regional development through location of PEs and their branches and job creation and provision of social services.

Globally, public enterprises are established to act as the pivot to propel economic and social development in areas of need. The implication here is that the government assumes the function of the entrepreneur by investing her resources in business ventures for social and economic reasons. However, evidence abounds that the government has not performed as well as a manager of resources (Nwachukwu, 2007). For instance the failure of public enterprises such as Nigeria Airways, NITEL, National Electric Power Authority (NEPA), Nigeria Railways, Nigeria Airways e.t.c. indicates that most public enterprises have failed woefully to live up to the expectations of the Nigerian public. At the state level, most government owned corporations have been liquidated due to high operating losses while those still in operation depend on government subsidies and support to survive. Therefore it can be safely argued that PEs constitute a financial burden to any government if they are not self sustaining. This state of affairs has necessitated the clamour for the outright sale, liquidation or privatization of public enterprises in order to channel government resources to other productive uses as witnessed in the early 90s.

Public enterprises in Nigeria are set up to perform some roles and objectives in the society which are presumably assumed to be inappropriate for the private sector to handle. Generally speaking, the performance of public enterprises in Nigeria over the years has been abysmal and marred by gross inefficiency. Globally, the performance of most public enterprises in both developed and developing countries has been generally poor and disappointing (Obadan 2000). However, the performance of these enterprises was impressive in the early 70s and 80s until the beginning of 90s when their performance started to decline and failed to meet the aspirations of socio-economic development targeted (Musa, 2005; Omoleke and Adesepo, 2005). The implication here is that PEs are not suitable to effectively play the role for which they were established in most countries of the world. Nevertheless, at a point in time in the history of Nigeria, the PEs were the backbone of the economy and did fill the vacuum which existed in the economy then in the 60s. But over time their performance declined and invariably led for calls for their privatization.

**Statement of the Problem**

Nigerian Public Enterprises were created for the purpose of expediting and facilitating economic development. However, most public enterprises in Nigeria are bedeviled by myriads of problems which constrain their ability to deliver on their core mandate. While they were created to fill the vacuum created by the private sector before and shortly after independence to spearhead the development of Nigeria in sectors considered vital, many of them have performed below expectation by not discharging their duties diligently and efficiently. According to Giovanni (2007), it is no longer news that Nigerian public institutions had long been unable to deliver
public goods such as law and order, security, economic infrastructure and basic welfare to the citizens. Public enterprises have served as platforms for patronage and the promotion of political objectives, consequently suffer from operational interference by civil servants and political appointees. Public enterprises in Nigeria have been adjudged as drain pipes to the nation’s resources because a lot of human and material resources have been invested in them without commensurate financial returns. Worse still, most of them have continued to post financial losses while their services and relevance to the Nigerian public have become questionable. The government has continued to subsidize these enterprises despite their dwindling revenue profile in order to enable them to be sustained, and discharge social welfare responsibilities to the country (Obasanjo, 1999). The inability of public enterprises to deliver in the areas of their core mandate has therefore led to the clamour by the public for the transfer of these enterprises to the private sector for management.

This is justified by the fact that other advanced countries of the world, notably Great Britain and the United States of America (USA) have adopted the privatization model as a way out of the inefficiency of their public enterprises. Most of the Nigerian public enterprises have been privatized notably in the telecommunication and power sector, yet there are still complaints that the services rendered by the private firms that emerged from the ashes of the public enterprises are still unsatisfactory. It has also been alleged that the privatization exercise has led to mass retrenchment of workers in the public enterprises previously owned by the government. It is worthy to note that privatization in Nigeria has not been a popular reform programme, even though some other schools of thoughts argue otherwise. It has received so much criticism from organized labour, academia, civil society and individuals. There have been numerous strikes against proposed sell-offs by unions fearing loss of jobs, while proponents of privatization perceive that aspect of economic reform as an instrument of efficient resource management for rapid economic development and poverty reduction. The critics argue that privatization inflicts damage on the poor through loss of employment, reduction in income, and reduced access to basic social services or increases in prices (Oji, Nwachukwu and Eme, 2014). This controversy has therefore necessitated a study like this to examine the challenges facing public enterprises and evaluate the privatization option as a solution.

Methodology
The content of this paper is purely on review of relevant literature on the challenges facing public enterprises in Nigeria and the privatization option. Thus, the methodology adopted for obtaining data was based on documentary secondary data obtained from academic journals, conference papers, articles, textbooks, and the World Wide Web (cyber internet).

Conceptual Analysis
The concept of public enterprises has been subjected to a variety of definitions and interpretations to the extent that the concept lacks a unanimous or consensual meaning among various scholars and researchers (Laley, 2008; Nnamdi and Nkwede, 2014; World Bank, 2000). The inability to have a single standard definition of public enterprises can be attributed to the fact that public enterprises were established at different periods, and each epoch naturally brought forth the types of public enterprises most clearly matching its own conditions. It is therefore believed that the variation in definition are informed by the ideological, values, interests, dispositions and circumstances that brought public enterprises into existence (Adeyemo and Salami, 2008; Sosna, 2001). Nigeria’s public enterprises are generally corporate entities other than ministerial departments, which derive their existence from special statutory
instruments; and engage in business type of activities to provide goods and services for the overall social and economic upliftment of the citizen. These include corporation, authorities, boards, companies and enterprises so owned and operated. In this paper, the researcher adopts the World Bank (2000) view that public enterprises are government-owned or controlled commercial entities that generate all or most of their revenues from the sale of goods and services. Therefore, a public enterprise is an organization that is set up as a corporate body and as part of the governmental apparatus for entrepreneurial or entrepreneur-like objectives (Ademolekun, 2002).

The non-performance of the public enterprise has prompted series of discussions and policy recommendations on how best to move them out of their present quagmire. It was for these reasons that in 1999, the Democratic regime under the leadership of President Olusegun Obasanjo, initiated sweeping reforms across the various sectors of the Nigerian economy. Where they recognized that national public enterprises have failed to meet public expectation, they were conceived to be consuming a large proportion of national resources without discharging the responsibilities thrust upon them. It was also established that they create economic inefficiencies, incur huge financial losses, and absorb disproportionate share of credit especially in the form of foreign loans (Oluade, 2007). This assertion of declining performance and failure to meet their set objectives for which they were established lends credence to former President of Nigeria’s remarks on the occasion of the inauguration of the National Council on privatization on Tuesday July, 20 1999. President Obasanjo observed that successive Nigerian Government have invested up to 800 billion Naira on public owned enterprises. Annual returns on this huge investment have been well below ten percent. These inefficiencies and in many cases, huge losses are charged against the public treasury (Omoleke, Salawu and Hassan, 2011).

**Rationale for Public Enterprises**

In view of the evolution and scope of public enterprises Ezeani (2006) and Adamolekun (2002) identified three major rationale for establishing public enterprises as:

1. The paucity or in some cases absence of indigenous private sector that can provide certain infrastructural facilities, particularly, in services requiring heavy financial investment e.g. electricity, ports and harbor, airways etc.
2. To enable the state pursue objectives relating to social equity which the market would ignore, notable among which is preventing the concentration of wealth or the means of production, and exchange in the hands of few individuals, or of a group.
3. The need to ensure government control over “strategic sector” of the economy such as central banking, broadcasting, army, airways, shipping etc.

Furthermore, Ugorji (2001) observed that public enterprises have also been established for political reasons. He further opines that many government undertakings are used to provide jobs for constituents, political allies, and friends. The locations of enterprises and the distribution of government employment have further been predicated on the need to maintain “Federal Character system and promote national integration”
Challenges Facing Public Enterprises
Available evidence shows that the performance of public service in virtually all tiers of government in Nigeria has remained very dismal, hence the present state of underdevelopment. The dismal performance of public enterprises, like the former National Electric Power Authority (NEPA) and the Nigerian Telecommunication (NITEL) is very obvious in this regard. In Nigeria many public enterprises operate under a business environment which is unique and distinct from that of the private sector which are in the same line of business. The business environment of the public enterprise could be that of a monopoly or it could operate in a competitive environment. For instance, shortly after the privatization of the telecommunication sector NITEL/ MTEL operated alongside other GSM companies such as MTN, GLO and ECONET. Also state-owned banks such as National bank, Cooperative and Commerce Bank (CCB) etc operated alongside other privately owned banks before they went into liquidation. Some of the challenges facing public enterprises include political interference, poor management, political instability, control by government poor attitude to work by staff, financial mismanagement and poor funding.

Political interference: Emeh (2012) observed that public corporations have several problems which can affect the quality of their goods and services. In fact, most public corporations in Nigeria cannot compete effectively with private companies engaging in the same line of business. Political Interference: Public corporations are government companies and sometimes the government and important government officials make them do things that may not be in the overall interests of the corporation. For political reasons, they can force the corporation to employ persons that are not qualified for the job or embark on projects that are of no real value to the corporation. Sometimes, the government corporations are forced to donate money to the ruling party for elections and other purposes. Such interference in the affairs of the corporation by the government and politicians will necessarily affect the efficiency of the organization. Political interference in the affairs of public enterprises has ruined many public enterprises in Nigeria (Anyadike, 2013).

Political Instability: Instability in the political system occurs when the government of a state changes too frequently and unexpectedly. Every new government wants to appoint its own representatives to the boards of government corporations. These constant changes in the policy-making body of the corporation lead to inconsistent policies. Constant changes can also lead to delays in the completion of projects or unnecessary changes in projects already embarked upon. Some projects in which huge amounts of money have been spent are abandoned because the new board of directors does not approve of them.

Poor Management: This problem is closely related to the two problems mentioned above. Members of the board who make policies for the corporation are political appointees who may not have any exposure in the corporation’s area of operations. Again, the government can make its corporations employ management staff that is not properly qualified. These two factors can result in poor management.

Government Controls: It is necessary for the government to exercise some control over its corporations but sometimes these controls are so oppressive that the corporations is rendered inactive. In order to compete effectively with private companies engaged in the same business, a government corporation should be allowed to operate under similar conditions. For instance, if the government, for political reasons, imposes price controls on its corporations and cannot control the prices of other companies engaged in the same business, then the government company cannot return as much profit as the private companies.
Over-Protection by Government: Some government corporations are like over-indulged children who cannot do anything for themselves. Most of them depend on the government for everything including the payment of staff salaries and the maintenance or replacement of equipment even though they were established to provide services to the public and to make profits. In private companies, the workers know that they have to make profits or the company will close down and they will become unemployed. For this reason, the workers work hard to improve on their goods and services. In public corporations the workers do not seem to care especially as they have secure tenure of office, regardless of the financial positions of the corporation. In fact the services of some public corporations are so bad that the public would have nothing to do with them if it had any choice. Thus, the practice whereby government gives grants to its companies on a regular basis makes the workers careless about the quality of work they offer to the corporation.

Poor attitude to Work: Many workers in the public sector see their work as government work. Government work, they unfortunately believe, require neither seriousness nor commitment. The result is that workers do not do their work at all or do it haphazardly, and the corporations consequently cannot effectively discharge their duties for which they were set up. According to Nwachukwu (2007), Nigerian employees characteristically have a very poor attitude to work. He asserts that the average employee is “not on seat” fifty percent of the time. Most employees see white-collar job as government work in which the employee receives his monthly salary regardless of his or her input in the organization. Such an attitude will certainly be a draw back to the attainment of organizational goals.

Financial Mismanagement: Ugo in (Anyadike, 2013) argues that some public enterprises whose establishments are hinged on regulatory philosophy have also not lived up to standard due to endemic corruption in these enterprises as officials collect bribes and truncate their primary reasons for establishment. Some government corporations are notorious for their mismanagement of funds. Money is sometimes embezzled outright. Officials also connive with contractors who are paid in full for work that is either not done or is improperly carried out. There have been cases where old and obsolete equipment and machinery have been bought at the price of new ones. This money could have been used for necessary development projects by the company or the government. In Nigeria, a combination of all these problems are manifested in the very poor services given by public corporations such as irregular and erratic power and water supply, late or non-delivery of mails, faulty telephone services and poor rail road and air transport services. Furthermore, inability of government corporations to discharge their duties effectively has contributed a great deal to the slow rate of social and economic development in the country.

Poor funding: It has been observed that inadequate funding of PEs by government makes their operation difficult, if not impossible. As a result, they also determined the tariff structure, which would have been an avenue to raise more funds to improve their performance. Most Public Enterprises in Nigeria were set up with a low equity capital base; thus making it difficult even to get financial assistance from banks. Poor capitalization was an impediment to borrowing, thereby contributing to negative performance.

In summary, the challenges facing public enterprises was buttressed by Agabi and Orokpo (2014) when they asserted that the performance of Nigerian enterprises were compromised in many instances leading to inefficient utilization of resources by public enterprises coupled with heavy dependent on the national treasury for financial operations and their activities
characterized by mismanagement of funds and operations, endemic corruption, misuse of monopoly power and bureaucratic suffocation from supervisory ministries and its inability to enhance the social and economic well-being of the people, which no doubt placed government under tremendous pressure to initiate various economic reforms, with privatization as one of such reform programmes as a panacea to public enterprises quagmire.

Managing the Challenges of Public Enterprises: Privatization Option

By the end of the 1980s, widespread criticism of the performance of public enterprises in providing goods and services and of the rising costs and ineffectiveness of government control of economic activities in general led political leaders in both Western and developing countries to reconsider their efficacy. Their inefficiencies were seen clearly in their limited abilities to satisfy the rapidly growing needs for commercial and social services that were becoming crucial for economic growth and for widespread participation in a globalizing economy. The investment decisions of government agencies were constrained by special laws and by central government planning criteria and procedures; they rarely considered the needs of communities or the preferences of consumers.

In the light of Nigeria’s government’s precarious fiscal position, there has been a growing consensus among professionals, policy makers, and economic development planners that privatization of PEs can yield substantial benefits relating to greater efficiency, renewed investment, budgetary savings, and preservation of scarce resources for the improvement of a nation’s economic condition. According to Ugorji (2001), privatization is based on four core beliefs which include:

1. Government has no business in business. Government should rather regulate business and provide a conducive environ for businesses to thrive;
2. Government is unable to provide services effectively or efficiently;
3. Public officials and public agencies are not adequately responsive to the public; and
4. Government consumes too much resources and thereby threatens economic growth.

Many arguments have been offered to encourage the government to divest its interest in public enterprises which have become avoidable drainpipes in the nation’s economy. The main thrust of the arguments for the privatization of public enterprises is to make them productive and efficient. According to Agabi and Oroko (2014) over the years government enterprises have become so inefficient, as epitomized by the epileptic services they render to the public. This is in spite of the fact that the government has and still continues to invest substantial funds in them. Rather than justifying such investment, these public enterprises have continued to incur losses without making any meaningful contribution to Nigeria’s economic development. The government decided to transfer them to private hands that have over the years proved to be better managers in order to reduce wastage. Therefore, when public enterprises are in the hands of private concerns they are assumed to respond more quickly to market forces and ensure the judicious use of resources. Privatization is a means of responding directly to productive inefficiency in the Public sector. It is also a means of improving the efficiency of public enterprises by making their management responsible to shareholders and imposing the financial discipline of the capital market.

According to National Council on Privatization (NCP), the justification given by government for its privatization policy is that there is need to reduce the dominance of unproductive investments
in the public sector in the light of dwindling oil revenue and mounting external debts. Second, that privatization will help re-orientate PEs towards a new horizon of performance improvement, viability and overall efficiency. Third, it is asserted by NPC that privatization assures positive returns on public sector investments. Fourth, that privatization will encourage the use of the capital market as a major source of funds for PEs rather than complete reliance on the treasury for funding. Fifth, it is hoped that privatization would create a better window in the global economy and allow participation in international trade. Besides, it is believed that privatisation would lead to the repatriation of capital by investors who wish to take up some of the equity in the affected companies, especially in the wake of a debt/equity conversion policy of the government.

The need for privatization of public enterprises in Nigeria, as it had been in most countries that adopted the public sector reform technique, was geared towards making the enterprises more efficient, effective and productive, such organizations could no longer be maintained by the government because they had become a financial burden to the public budget. Thus, privatization became the panacea for alleviating the government problems of owning and managing public enterprises, and at the same time, ensuring that such enterprises, when transferred to private ownership, would significantly improve economic development of the nation. Nevertheless, the privatization of public enterprises should not be seen as a magic wind that will transform the economic landscape of Nigeria overnight. The Nigerian business environment should be improved to make the privatized enterprises to thrive and emerge as global companies.

**Conclusion**

In the course of this paper, the analysis of the challenges of privatization in Nigeria has been explored. The benefits of privatization were also highlighted. Nevertheless, privatization should not be seen as a blanket solution for the challenges facing public enterprises in Nigeria, rather efforts should be made to address the inherent challenges in the Nigerian business environment to enable the privatized enterprises to thrive.

In conclusion, if privatization must of necessity bring forth the desired benefits, it has to be viewed not as an end itself, but as a means to get government interested in fostering a new partnership between the public and private sectors in order to increase the efficiency and contribution to development of both sectors. Therefore, the success of privatization should be judged not in terms of the sale or contract itself or the price paid to government, or even the survival or expansion of the enterprise sold, but rather, on the basis of whether there are net benefits to the economy. Privatization must result in better services at lower prices as desired by consumers who, oftentimes, are not much bothered about economic philosophies behind the establishment and running of public and private enterprises. If privatization does not bring tangible benefits in one form or another, the opponents of privatization who argue that the benefits are not worth the cost would feel justified. Although many of the challenges facing privatized public enterprises in Nigeria have been significantly addressed much still needs to be done in ensuring that Nigerian consumers enjoy maximum benefits in the services provided by companies that emerged from the ashes of privatized public enterprises.

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