**ASSESSING THE PERFORMANCE OF GOVERNMENT OWNED COMPANIES THROUGH PRIVATIZATION AND COMMERCIALIZATION (A CASE STUDY OF POWER HOLDING COMPANY OF NIGERIA, UYO AKWA IBOM STATE)**

**A RESEARCH PROJECT**

**WRITTEN BY**

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**CERTIFICATIONS**

This project work has read and approved as meeting requirement for the award of Higher National Diploma (HND) in Business Administration and Management.

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HOD Signature/Date

……………………………

Supervisor Signature/Date

**DEDICATION**

I humbly dedicate this research work to my God Almighty the alpha and Omega the beginning and the end, whose presence never left me throughout my stay in academic field, and to my dear parent late Mr. Akpan Udo Ekong, and my lovely Mother Dec. Iquow Akpan Udo Ekong for their parental guidance, advice and financial support especially during my studies. May God Almighty continue to Bless and keep you to reap the fruit of the good seed you have planted in my life.

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The journey to Higher National Diploma (HND) has successfully come and gone.

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I want to also use this medium to remember my parent because they did not shy away from their parental upbringing and responsibility, I pray may God Almighty who make this dream possible today continue to bless and guide them in the name of our Lord Jesus Christ Amen……

Above all, with pleasure and total humility to Almighty God for completing the section of work which he started in my life some years back.

**ABSTRACT**

This study was specifically carried out to examine the performance of government owned companies thought privatization and commercialization using port Harcourt Electricity Distribution Company PLC (PHED) as a case study. It seeks to improve the performance, attitude, character, ethics or what could be a reason for their low performance in the public sector. It raises such hypothesis as: Ho, privatization and commercialization of port Harcourt Electricity Distribution Company PLC has no affect on the efficiency and overall performance of the company. The population of the study is made up of management staff, senior staff and junior staff of PHED, Uyo, with a sample size of 57. It was however observed from the test of hypothesis that privatization and commercial of PHED has a positive affect on the overall performance of the company with similar results form hypothesis 2 and 3. Hypothesis 4 however shows that cumption in the privatization and commercialization process and other social vias like inability to evaluate the company’s asset and bureaucratic bottlenecks as well as political interference are serious impediment to privatization. Above all, it is therefore necessary for companies, organizations co-operative or incur-operative bodies to adjust and readjust their policy on privatization toward effective and efficient management in order to improve in terms of human capital for overall wellbeing of PHED and Nigeria at large.

**TABLE OF CONTENTS**

**Title Page**

Cover Page

Certification

Dedication

Acknowledgement

Abstract

**CHAPTER ONE**

1.0 Introduction

1.1 Statement of the Problem

1.2 Objective of the Study

1.3 Research Questions/Hypothesis

1.4 Significance of the Study

1.5 Limitation of the Study

1.6 Definition of Terms

**CHAPTER TWO: REVIEW OF RELATED LITERATURE**

2.0 Introduction

2.1 The concept of Privatization

2.2 Privatization may be Total or Partial

2.2.1 Total Privatization

2.2.2 Partial Privatization

2.2.3 Commercialization

2.2.4 Partial Commercialization

2.3 Method of Privatization in Nigeria

2.3.1 Public Offer of Shares

2.3.2 Private Placement

2.3.3 Sales of Asset

2.3.4 Management Buy-out (MBO)

2.3.5 Differed Public offer

2.4 Argument for and Against Privatization

2.5 Economic Assessment of Nigeria’s Privatization Programme

2.6 The Effect of Privatization on Nigeria Economy

2.7 Theoretical Framework

**CHAPTER THREE: RESEARCH DESIGN AND PROCEDURE**

3.0 Research Design and Procedure

3.1 Research Design

3.2 Area of Study

3.3 Population of Study

3.4 Sampling Determination and Sampling Technique

3.5 Sources of Data

3.6 Methods of Data Collection

**CHAPTER FOUR: DATA PRESENTATION AND INTERPRETATION**

4.0 Introduction

4.1 Data Presentation, Analysis and Interpretation

4.2 Test of Hypothesis (Using x2 Statistical Tool)

4.3 Discussion of Findings

**CHAPTER FIVE: SUMMARY, RECOMMENDATION AND CONCLUSION**

5.0 Introduction

5.1 Summary

5.2 Recommendation

5.3 Conclusion

Questionnaire

References

**CHAPTER ONE**

**1.0 INTRODUCTION**

Today we are witness to the sweeping and undeveloped countries. The changes relate to effort to move away from government ownership, control or participation in the economy towards free enterprise and increased operating of market forces. However, the changes are making for a reduction in the role of government in the economy, with corresponding explanation in a private sectors ownership, control and participation.

We are thus observers of the new evolution or the new world economic order which is characterized by the liberalization or deregulation of economic activities with the aim of achieving efficiency and effectiveness in resource allocation and utilization. The economics reform of the new world economic order are being implemented in more than 70 countries around the world, including where such reforms were virtually unthinkable less than a decade ago.

**THE DEVELOPMENT OF THE PUBLIC SECTOR AND PRIVATE ENTERPRISE REFORMS IN NIGERIA**

Since independence in 1960 Nigeria, like most developing countries, developed a particularly large parastatals sector is composed of such economic activities as banking and insurance, oil prospecting, exploration, refining and marketing etc.

A survey under by technical committee on privatization and commercialization (TCPS) shows that there are nearly 600 public enterprises at the federal (national) level alone, and estimated 900 at the state (regional) and local government level. The estimated 1,500 public enterprises in Nigeria account for between 30 and 40 percent of fixed capital investments and the same proportion of formal sector employment. Table 1 gives the summary federal government as of 30s November, 2012. These investment, were value at over N36 billion at their historical book value field or exceeded two percent annum, which is less than 25 percent of the annual subventions form the government to the public enterprise sector. While the boom in the world market for oil and petroleum products lasted, on one complained about the wastes and inefficiency of the public enterise sector in Nigeria.

Since, Nigeria fall under the category of the third world country, a lot public enterprise of questionable commercial viability were established. It was the fall in the world market form oil, and the economic recessions which began in the early 1980s that seriously for cussed attention of the problems of the public enterprises. The report of a study group on public enterprise revealed that they were vested with problem such as:

1. Misuse of monopoly powers.

2. Defective capital structure resulting in heavy dependency on the government treasury.

3. Mis-management, Corruption and nepotism.

**PRIVATIZATION AND COMMERCIALIZATION IN NIGERIA**

As government could no longer continue the monumental an inefficiency of the public enterprise sector, the programme of Privatization and commercialization was developed to address the peculiar socio-economic and political conditions in Nigeria, being part of the structural adjustment programme. The legal framework for the Nigeria programme is the Privatization and commercialization decree No. 25 of 1988, and the implementation agency is the technical committee on Privatization and commercialization eleven (11) member body draw from both the public and private sector. It was vested with powers to monitor and supervise the implementation of the programme. The full function of the technical committee are to:

1. Advise on the capital restructuring needs of enterprises to be Privatized or commercialization under this decree in order to ensure a good reception in the stock exchange market for those to be privatized as well as to facilitate good management and independent access to the capital market.

2. Carry out all activities required for the successful public issues of share of the enterprises to be privatized including the appointment of issuing houses, stockbrokers, solicitors etc.

3. To provide institutional arrangement and operational guidelines that will ensure that the gains of Privatization and commercialization are sustained in the future. However, the terms “privatization”, narrowly defined, means transfer of government owned shareholding in designated enterprises to private describe shareholders comprising individuals and corporate bodies.

Broadly defined privatization is an umbrella to describe a variety of policies which encourage competition and emphasis the role of market forces in place of statutory restrictions and monopoly powers. The first definition relates to programmes of privatization without structural adjustment, such as has been the in must developed countries e.g. France, U.K etc. The second definition relates to a programme of privatization as an integral part of a structural adjustment programme, such as we have in Nigeria.

**Commercialization:** On the other hand, can be defined as the re-organization of enterprises, wholly and partially owned by the government, in which such commercialized enterprises shall operate as profit making commercial ventures without subvention form the Government.

The main thrust of the Nigeria commercialization programme has been to:

1. Upgrade the management information system of the affected enterprises.

2. To improve efficiency performance of the enterprise and best workers effectiveness.

3. Strength financial/accounting controls at the enterprise level.

To the purpose of understanding the terms Privatization and commercialization to a lay man understanding, privatization is generally refers to the process where businesses or assets which were formally owned by the people (i.e. the government) are sold to private individuals profit-making enterprises but, it was not the ultimate aim to make profit but has to render pure service thereby increase efficiency of performance and effectiveness of job done and automatically increase the gross domestic products of a nation through economy growth. While commercialization generally refers to taking the products of research (whether private or public is immaterial) and building a business out of idea. Usually, the term “commercialization” is used when taking a research idea and building a business around that idea. Historically, the participation of the state in ate in enterprises in Nigeria dates back to the colonial era. The task of providing infrastructural facilities such as railway, road, bridges, water company, electricity and port facilities fell on the colonial government due to the absence of indigenous companies with the required capital as well as the inability or unwillingness of foreign trading companies to embark on these capital intensive projects. This involvement was expended and consolidated by the colonial welfare development plan (1946-56).

According to Act 1988 and Bureau of public enterprises defined privatization as the relinquishment of part or all of the equity and other interest held by the federal government or any of its agencies in enterprises whether wholly or partly owned by the federal government. In a similar vein, “star stip in as a shift from the public to the private sector, not shift within, sectors.

To end my case, with own ideological sense privatization may seen as any variety of measurers adopted by government to expose a public enterprise to competition or to bring in private ownerships or control or manage into a public enterprise and accordingly to reduce the usual of public ownership or control.

All the government reasoning for direct involvement in companies is applicable in the running of the power holding company of Nigeria (PHC) it serves as a “gauge” of a nation’s development status. The Nigeria electricity power authority (NEPA) now power holding company of Nigeria (PHCN) was established in January, 1951.

Power holding company of Nigeria which is to provide electricity services, this is not surprising as electricity has away of affecting every other aspects of the economy. The country was shocked over the alarming of non-performance of government owned companies and despite all the probe panel body set up, it is on records that the problems has still remained the same unchangeable situation, continue to generate bad record until when necessary fine this research work useful to their different parastatals and smooth runnial of an private enterprise sand efficiency and effectiveness.

**1.1 STATEMENT OF THE PROBLEM**

Undoubtedly, the problem are those negative symptom that cause inefficiency and reduce performance in the public enterprise. Example internal strife, corruption, nepotism low turnover, poor planning poor government policy and regulation. Through some unethical character of employees, personal managers has become so myopic in nature and thereby render the management ungovernable in nature because, a society where is no law, role and regulation, to guide the individuals activities there’s tendency that such would turn to Gayous Chros and anarchy and thereby restrict the smooth running of management. Furthermore, in a situation where government invests more than 12 billion naira in 1150 companies fielded less 1% by of dividends, bonds but let the problem of lack of clear objectives inadequate authority, inflexibility in decision making, appropriate capital structure, poor utilization of government assets, inefficiency, excessive wastage of economic resources, inadequate management to activities which could be used to measure their performance against success or failure above all unethical character of an-individuals. All these couple together contributed the problem of low productivity and poor performance of government owned companies.

Our major concern at the process of this finding is what and what can we do or implemented, introduce to eradicate this “myopic” attitude of public sector; what can we do to put to an end or stop this menace in our society and thereby gave us as a fertile land to cultivate our necessary crops. From the finding we therefore agree empathically that privatized government owned companies show that the government can easily assess the level of performance that will ensure efficiency and effectiveness of private sector. The funny and pertinent question people may love to ask this as follow:

1. Why should public sector be so unethical in nature?

2. Why are they so myopic in response to internal affair?

3. What are responsible for this state of affairs?

4. Is poor performance attributed to the usual belief that government business is no man’s business?

5. Emphatically, is it attributed to management study?

6. Will privatization or commercialization of Power Holding company allocate proper performance and economy of the nation or doing all this, can we celebrate only six month of interrupted power supple compared to Ghana, South-Africa etc. This and many more are the rhetorical question await us at the process of this finding.

**1.2 OBJECTIVE OF THE STUDY**

The fundamental theme of the study is to improve or assess the performance, attitudetional character, unethical behavior or what could have be a reason for their low production and performances in the public enterprises. Then we are at liberty to provide performance and ensure efficiency and effectiveness as their primary objective. In the light of this true, the objective of this study shall revolve around ways of improving or assessing the performance and its effect on overall development with particular reference to Power Holding Company in Nigeria. Specifically, the study is aimed at:

1. To examining socio-economic implications of privatization and commercialization of public enterprise.

2. To examining the problem associated with privatization and commercialization programme, in affected company like PHCN and other public enterprise in general.

3. To find the out of effect of privatization on the efficiency of Power Holding company of Nigeria.

4. To determine reason for their low turnover during production.

**1.3 RESEARCH QUESTIONS/HYPOTHESIS**

This work lend to ask some relevant question like:

1. What cause the evolution of the public enterprise in Nigeria?

2. Who are the beneficiaries of the privatization and commercial performance?

3. Today, we all witness the recent attitude of public enterprise, its seem so myopic in nature why?

4. Unethically, why should public enterprise behave so unconcern in the state of affairs?

For a successful guiding of this study, the following hypothesis were formulated. Signifying null hypothesis, while signifies alternatives hypothesis.

**H0:** Privatization and commercialization of Power Holding of Nigeria has no effect on the efficiency and overall performance of the company.

**HI:** Privatization and commercialization of Power Holding Company of Nigeria has a positive effect on the efficiency and overall performance of the company.

**H0:** Official corruption in the privatization and commercialization process, inability to evaluate assets of the company properly and bureaucratic bottlenecks as well as political interference are not serious impediments to privatized and commercialization Power Holding of Nigeria.

**H1:** Official corruption in the privatization and commercialization process, inability to evaluate assets of the company properly and bureaucratic bottlenecks as well as political interference are not serious impediments to privatized and commercialization Power Holding of Nigeria.

**1.4 SIGNIFICANCE OF THE STUDY**

This research work will help the government, and my humble self, readers to understand those benefits that privatization and commercialization programme embodies which we have neglected and politized with in the past.

In understanding this on the side of the government, it will allow them to rethink and work towards veal implementation of it thereby creating a room for the rapid growth and development of this esteem country called Nigeria. At the other hand, it will go a long way to create an avenue for more academic research. Haven know this, it is worthy to conclude that the main beneficiaries of this study lies on the government and general public who may find this work useful for their future engagement and rebranding of public sector. For instance:

1. Government will make money from the sales of the companies which will be used to provide the basic needs of the citizen in Health, Education, Entertainment, Center, Housing and most specifically Power Holding Company of Nigeria.

2. Strategic investor/foreigner will bring their money with new technology into Nigeria to manage the companies which will now produce goods products/services leading to the growth in Nigeria economy and more jobs will create for the betterment of a citizenship.

3. However, the forces of foreigner will drive away or eradicate those transits, and thereby make a society a better place to live.

4. With privatization, government will no longer waste money unnecessary, which it give to help companies to manage (operate) their equipment because they will now be able to survive on their own by making profit and most specifically efficiency and effectiveness of the work force will ensure.

5. Privatization the place will keep tiding and hygening in nature.

Again, insufficient financing of the accomplishment of this work became a problem in the gathering information was very costly.

**1.6 DEFINITION OF TERMS**

In order for this research work to be successfully understood, the researcher find it necessary to define the following terms:

**Performance:** Is formally defines as a ration between the output of wealth produce and the input of resources consumed in the production.

**Government Owned Company:** This is a company fully owned by government and is manage as such.

**Privatization:** It means any company parastatals, partnership, joint venture or any other sole purpose of doing of business.

**Efficiency:** Is general describes the extent to which time, effort or cost is well used for the intended task or purpose. Economically, Efficiency refers to the used of resources so as to maximize the production of goods and services.

**Effectiveness:** Is a degree to which objectives are achieved and the extend e.g. in contract to “Efficiency” Effectiveness is determined without “Reference” to “cost” whereas efficiency means “doing the thing right”, effective means “doing the right”.

**Commercialization:** Is the process of introducing a new product or production method into the market.

The actual level of a product is the final state of new product development is a government initiative of assisting researchers, entrepreneur and innovative companies to convert their potential ideas and create a competitive market environment by ensuring effectiveness and efficiency.

One of the major aims of commercialization is to improve competitiveness of the economy (EDEKE GORDIAN).

**CHAPTER TWO**

**REVIEW OF RELATED LITERATURE**

**2.0 INTRODUCTION**

This chapter presents the review of related literature. It also reviews the meaning of privatization and commercialization and is comparison against “efficiency” “effectiveness” in the public sector or industry.

**2.1 THE CONCEPT OF PRIVATIZATION**

It has been stated that the purpose of the purpose of the study is to examine, “assess the performance of government owned companies with reference to Power Holding Company of Nigeria”. However, it has been necessary to define and explain the concept privatization or commercialization. This is because of the need to know what privatization is all about to be able to recognize, imagine of feel it and perceive its effect on the economy of the nation as a whole.

“Conceptually” the privatization and commercialization decree 25 (FRN) 1988, defines privatization as the transfer of government to the private shareholding in designated enterprises to the private shareholders, Non-government organization, comprising individuals and corporate bodies. Similarly, Odife (1999) sees privatization as transferring ownership management and control of business enterprises from the public to the private sectors where services, production and consumption can be vaguely more efficiency by market forces. This perception is believed that government would restrict itself and its agencies to the maintenance of law and order to inculcate and curtail discipline as a toll to eradicate corruption in the private sector and a society with the end of cold war between the eastern blocs, private ownership of the means of production, took ascending. Today, the received wisdom is that state should the only viable approach to efficient production of goods and services, economic growth and development. Consequently, there is a move all over the world to privatize erstwhile public enterprise. In this study, we examine and assessed the practice of privatization mean to promote private ownership of means of production in Nigeria and the critical issues of concern to the civil society; basically and unethical character in the public sector and society at larger thereby the economy of the country will continue to grow rapidly. “However, left alone government, it could of privation and its philosophical basis.

According “Theme” define privatization as any of a variety of measure adopted by government to expose a public enterprise to competition or to bring in private ownership or control or management into a public enterprise and accordingly to reduce the usual weight” of public ownership of management, this definition is encompass all the element, intrepid and concept that elaborate strictly for academic purpose and it will prelude knowledge to a layman understanding for the main purpose of this research is transfer of government ownership into private see for the main purpose ensuring efficiency and effectiveness.

Privatization itself is a global tool for economic performance. For example, the deregulation movement set in motion by Regan administration. In the United States appears to have stated a global trend of restoring the free market enterprise spirit. Also, in British, “According to Margaret Thatcher (1987) government successfully privatize some of its huge government corporation, including Brish (Redwood 1984), Abormelt (1989) in Nyah, (2004) seminar presentation.