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The Potency Of Privatisation In The Economic Development Of Nigeria

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INTRODUCTION

Privatisation has become the current wave moving across both developing and developed nations all over the world. This is so in order to promote efficient allocation and management of resources. In Nigeria, like most other developing countries, the ownership and control of key public utilities have virtually been the responsibility of the government since independence in 1960. The case for government control of public utilities, such as electricity, telecommunication, gas, water supply and air transportation is based on the argument that basic goods and services need to be provided to the citizenry at affordable prices, and also that government needs to control the utilities due to the relative significance in the national economy. Over the years, however, the inability of successive Nigerian governments to provide the services in an efficient manner has led to persistent calls for reform. In response, several polity initiatives have been undertaken, including market regulation, deregulation, liberalisation and privatisation. (Ibeabuchi et al 2003).

The sequence in which privatisation, competition, and regulation are introduced can affect the outcome, when a state monopoly can emerge. Private monopolies, more often than not, seek to stifle further attempts to introduce competition. Economic rents may then be transferred from the public sector to the private, with no gain in efficiency, no lower prices, and no broader services. (World Development Report (1998/99).

Privatisation is any policy change that enlarges the scope for private enterprise to compete with state owned enterprise or even ones that might cause public enterprises to behave more like private firms.

It is a popular saying that no government has a business to do business, but to ensure a provision of elements, legislation is mandatory for creating an environment where the economy could flourish. Thus, it was actually owing to the adoption of various timely and prudent policies, particularly the investment and privatisation reforms, that Nigeria is able to reduce the level of deficit and improve the overall economic picture by strengthening all the major economic indicators.

Industrial reforms under the structural adjustment period, no doubt, necessitated the liberalisation of foreign trade and capital flows through the removal of import duty control, reduction of selective tariffs and freeing capital movement; deregulation of markets, including foreign exchange and domestic credit, reduction in government expenditure through privatisation and the removal of subsidies and reduction of pressure on wages (Hewitt and Wield, 1995).

The increasingly close relationships between economies, or globalisation, involves more than just the growth of international trade in goods and services, however, the flow of capital and people across borders have also been growing rapidly in recent decades (Hendrik Van Den Berg (2001)

The Obasanjo’s regime is merely carrying out the policy of privatisation under the dictation of the (IMF). The IMF is the imperialist agency that fronts for numerous foreign creditors of the Nigerian Government viz., the Paris Club, the London Club, among others.
The adoption of economic development process by privatisation, which is an application of the neo-classical economic theories, is therefore not surprising. The Federal government therefore decided to privatize some of its investments, terminate support for others which would be partially privatized and commercialize fully or partially some others that would still remain fully owned by the government (Odunaike 2004). However, the intention to still retain some enterprises gave way to total privatisation in view of the obvious incongruence of such arrangement with the economic progress of the country. Government should face the business of governing while market forces should be allowed to direct businesses.

Government around the world have pursued privatisation as a technique to achieve various objectives, to attract foreign and local currency in order to enhance the fiscal spread and pay off debt, to reduce the government reserves donated to public entities as subsidies and reduces fiscal deficit, and to draw foreign direct investment and abate the level of unemployment. When these reasons are carefully analysed, it would be seen that the essential economic tool is significant in keeping up economic growth of a country (Wilson 1995).

Therefore, privatisation in a developing country can prove to be of significance importance if handled efficiently. As a result, the success of privatisation depends on developing a fully functioning market economy.

The researchers were therefore motivated to carry out exploratory work on Privatisation as a policy and its relevance on Nigeria’s economy.

The main objective of this study is to examine the relevance of privatisation in the economic development of Nigeria. The other specific objectives also examined were.

- To identify the level of attraction of foreign and local currency which is expected to enhance the fiscal spread and pay off debt.
- To examine the level of reduction of fiscal deficit.
- To investigate the rate of unemployment in the country.

HYPOTHESES FORMULATION

Ho: The foreign and local currency attractions have no significant effect on the fiscal spread and pay off debt.

Ho₂: The privatisation policy does not have any significant problem on the strategy implementation

Ho₃: There is no significant effect between privatisation policy and employment rate

METHODOLOGY

The study was limited to some selected organisations in Nigeria in order to know their relevance in the economic development of the nation.
In achieving this, questionnaires were distributed to different categories of staff as well as selected members of the public that are involved in the consumption of the products of the privatised organisations. This was done using the simple random sampling in the selection. The questions are close ended questions in order to make it easy for the respondents to react quickly and positively to the questionnaire. A total of 1,000 questionnaires were administered out of which 950 questionnaires were recovered. The responses to the questions were analysed in Table 1.

DATA ANALYSIS

The findings from the field were analysed using Analysis of Variance (ANOVA).

Table 1 – Showing the percentage of respondents’ view to the questionnaire

<table>
<thead>
<tr>
<th>S/No</th>
<th>DETAILS</th>
<th>AGREED NO</th>
<th>AGREED %</th>
<th>DISAGREED NO</th>
<th>DISAGREED %</th>
<th>UNDECIDED NO</th>
<th>UNDECIDED %</th>
</tr>
</thead>
<tbody>
<tr>
<td>1.</td>
<td>Privatisation is the transformation in the role of government from an owner to that of a regulator</td>
<td>890</td>
<td>93.7</td>
<td>50</td>
<td>5.2</td>
<td>10</td>
<td>1.1</td>
</tr>
<tr>
<td>2.</td>
<td>The problems of privatisation include high level of suspicion, fraudulent activities etc.</td>
<td>735</td>
<td>77.4</td>
<td>175</td>
<td>18.4</td>
<td>40</td>
<td>4.2</td>
</tr>
<tr>
<td>3.</td>
<td>Privatisation of public utilities is seen by masses as what should remain heavily subsidized which should not be left in the hand of profit makers.</td>
<td>882</td>
<td>92.8</td>
<td>65</td>
<td>6.8</td>
<td>03</td>
<td>0.4</td>
</tr>
<tr>
<td>4.</td>
<td>Privatisation is a technique used to attract foreign and local currency in order to enhance the fiscal spread and pay off debt.</td>
<td>732</td>
<td>77.0</td>
<td>163</td>
<td>17.2</td>
<td>55</td>
<td>5.8</td>
</tr>
<tr>
<td>5.</td>
<td>It is used to reduce fiscal deficit and reduce government reserves donated to public entities as subsidies.</td>
<td>871</td>
<td>91.7</td>
<td>60</td>
<td>6.3</td>
<td>19</td>
<td>2</td>
</tr>
</tbody>
</table>
6. Privatisation is used to draw foreign direct investment

7. It is also a way of reducing unemployment in the country

8. Privatisation of public enterprises has no implication on the economy if done in a transparent manner

9. Privatisation leads to improvement in the overall economic picture of the country

10. Privatisation of public utilities is essential, economical and very useful in the development of the economy

TEST OF HYPOTHESES

Hypothesis 1

The foreign and local currency attraction has no significant effect on the fiscal spread and pay off debt.

Table 2 – Analysis of variance test for comparing data obtained from Agreed, Disagreed and Undecided on relevance of privatisation on Nigeria Economic Development.

<table>
<thead>
<tr>
<th>Sources of variation</th>
<th>Df</th>
<th>Sum of squares</th>
<th>Mean squares</th>
<th>F-Cal</th>
<th>F-Critical</th>
<th>Significant level</th>
<th>Decision</th>
</tr>
</thead>
<tbody>
<tr>
<td>Between groups</td>
<td>2</td>
<td>23.121</td>
<td>15.101</td>
<td>6.53</td>
<td>3.37</td>
<td>0.05</td>
<td>Reject Ho</td>
</tr>
<tr>
<td>Within groups</td>
<td>947</td>
<td>62.442</td>
<td>28.646</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td>949</td>
<td>85.563</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
The critical value of F with 2 and 947 degree of freedom at 0.05 level of significance is 3.37 as depicted in Table 2. Since the computed value of 6.53 is greater than the critical value of 3.37, the null hypothesis Ho is therefore rejected. The foreign and local currency attraction has significant effect on the fiscal spread and pay off debts.

Hypothesis 2

The privatisation policy does not have any significant problem on the strategy implementation.

Table 3 – Analysis of variance test (ANOVA) for comparing data on privatisation policy and strategy implementation.

<table>
<thead>
<tr>
<th>Sources of variation</th>
<th>Df</th>
<th>Sum of squares</th>
<th>Mean squares</th>
<th>f-cal</th>
<th>f-critical</th>
<th>Significant level</th>
<th>Decision</th>
</tr>
</thead>
<tbody>
<tr>
<td>Privatisation policy</td>
<td>2</td>
<td>6.216</td>
<td>4.135</td>
<td>3.852</td>
<td>3.35</td>
<td>0.05</td>
<td>Not significant</td>
</tr>
<tr>
<td>Strategy implementation</td>
<td>7</td>
<td>8.325</td>
<td>5.624</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td>9</td>
<td>14.541</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

From Table 3 above, the critical value of F with 2 and 7 degree of freedom at 0.05 level of significance is 3.35. Since the computed value of 3.852 is not significant with the critical value of 3.35, it was therefore accepted that there is no problem on privatisation policy and strategy implementation to achieve the economic balance of Nigeria. However, the null hypothesis is rejected.

Conclusively, the policy on privatisation and commercialisation employed in Nigeria economy was of great policy to meet up with economic crisis in Nigeria. In fact the strategies outlined for implementing this policy was expected to curb inflation in Nigeria, but it was discovered during the interview and analysis of data people are not ready to be transparent and honest about it.

Hypothesis 3

There is no significant difference between privatisation policy and employment rate.

Table 4 – Analysis of variance test (ANOVA) on data comparison between privatisation policy and employment rate satisfaction.

<table>
<thead>
<tr>
<th>Sources of variation</th>
<th>Df</th>
<th>Sum of squares</th>
<th>Mean squares</th>
<th>f-cal</th>
<th>F-critical</th>
<th>Significant level</th>
<th>Decision</th>
</tr>
</thead>
<tbody>
<tr>
<td>Privatisation policy</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
Table 4 above indicates that the critical value of F with 2 and 5 degree of freedom at 0.05 level of significance is 3.37. Since the computed value is greater than the critical value of 3.37. However, the null hypothesis Ho was rejected. Therefore, there is significant effect between privatisation policy implementation and employment rate.

In conclusion, there is significant effect between the strategies employed by the government and the unemployment rate.

DISCUSSION OF FINDINGS

From table 1 above, it was observed that privatisation is very important and useful in the development of the economy if it is done in a transparent manner. It encourages commitment on the part of the investors. It is used to attract both foreign and local currency in order to enhance fiscal spread as well as pay off debt.

Privatisation encourages foreign investors which invariably improves the economy. It is also seen as a way of eradicating unemployment in the country.

It is used to reduce fiscal deficit as well as reduce government reserves donated to public entities as subsidies.

The masses view privatisation as what should remain heavily subsidized and therefore should not be left in the hands of the profit makers. The masses believe that privatisation may encourage capitalism which would not be to their benefit. Consequently, despite the advantages of privatisation, some problems are also noticeable which includes, fraudulent activities on the part of both buyers and sellers, high level of suspicion, non-transparency, socio-political and ideological problems, inaccessibility to credit, uncooperative attitude of some public officials, problems of geo-political and income group spread, retrenchment, as well as fear of fixing arbitrarily high prices for utilities and social services.

CONCLUSION

The primary focus of any economic management process is the attainment of improvement in the living standard of the populace. This involves the expansion of income, consumption level of food, medical services, education, utilities and social services and the promotion of human dignity and respect through the creation of suitable conditions for such. To achieve improved living standard for the populace, the enlargement of choice variables, for example increasing the variety of consumer goods and services is imperative.

Nigeria has returned to privatisation as a vehicle for promoting economic development, which is a neo-classical economic theory in view of the failure of the public system.
The privatisation programme of the federal government is primarily aimed at the restoration of fiscal balance, the improvement of productive efficiency and the education of the size of public intervention in economic activities.

Privatisation sharpens the focus of enterprise management because the vague and sometimes contradictory objectives of the public sector are replaced with the single clear goal of profit maximisation.

It is also to be noted that private firms are more agile in that they are unencumbered with the bureaucratic constraints of state ownership and they are therefore more able to respond to information.

Conclusively, privatisation is expected to reduce poverty by contributing to growth and development of the private sector.

RECOMMENDATIONS

The government is expected to be very transparent in the privatisation process in order to move the economy forward and prevent shady deals.

The government should ensure that the investor is competent enough to take over. The primary focus of the investor should not be on profit alone. The government should also encourage competition rather than monopoly.

The investors should consider the masses in any decision that is to be taken and not base their decisions on profit making only. The policy should encourage employment of citizens, training and development, transparency, honesty, as well as the confidence of the masses.

The privatisation policy should also be capable of reducing the fiscal spread of foreign and local currency attraction as well as pay off debt.

References


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