

PRIVATISATION AND COMMERCIALIZATION IN NIGERIA: A STUDY OF POWER HOLDING COMPANY (PHCN) OF PUBLIC ENTERPRISES

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ABSTRACT

The study examines impact of privatization and commercialization of PHCN on Nigeria people. The paper utilized both primary and secondary sources of data and data collected were descriptively analyzed with a view to seeking answers to the broad question of the effect of privatization and commercialization of government-owned enterprises in Nigeria with reference to Power Holdings Company of Nigeria (PHCN), Benin Zone. The study engaged one hundred and fifty-four (154) respondents randomly selected from the five departments of PHCN, Benin. The findings revealed that PHCN has to contend with internal and external environmental hostilities and constraints such as poor funding of the enterprise, corruption, excessive control by the Federal Government, vandalization of its equipment by hoodlums, fraud, shady dealings, poor maintenance, erosion, and debts owed it and irregular rainfall. Government should examine and select the competent people who will handle private enterprises and not people of questionable character. Capturing the confidence of labour, building more power plants, staff training and motivation, monitoring of the privatization processes, transparency and accountability will check corruption, Government interference and recruitment by patronage. The paper concluded that electricity is the bedrock of socio-economic development of any nation hence priority must be set for its full privatization and commercialization as it did to the national telecommunication carrier, NITEL, so than Nigerians can grow and develop like other nations such as Malaysia, Indonesia and India, which have almost same characteristics like Nigeria. Private-sector driven economy is key to this development and government must create this sector in Nigeria if it must grow and develop industrially, socially and politically.

Keywords: Privatisation, Commercialisation, Public enterprise, & PHCN

1.0 INTRODUCTION

The necessity for the creation of public enterprises or corporations emerged in the 19th century, following significant upheavals in European society due to industrialisation and urbanisation. Social challenges such as unemployment and economic disparities. People commonly recognise Britain as the progenitor of public enterprises (Obi, 2024). A significant majority of African nations selected the public sector for economic and social advancement. This explains

why the state has assigned several other duties, such as industrial production, transportation, social services, and communication, in addition to its traditional security and justice roles (Adegbemi & Babatunde, 2013). Notwithstanding various implementations of Nigeria's economic policies aimed at enhancing agriculture, industry, and other sectors, the government continues to rely on a monoculture of oil, which has not yielded substantial capital investment and development due to a fragile technological foundation and inadequate managerial skills (Behara, 2015). This fostered the aspiration to create diverse firms and significantly expand government agencies and institutions. The Nigerian constitution of 1979 delineated the official functioning of these enterprises and the public officers overseeing them, as well as those of private enterprises. For instance, following an evaluation of the Nigeria Railway Corporation's performance in 1967, the panel conducting the assessment suggested the establishment of an Executive Board, with the Chairman also serving as the Chief Executive (Aliyu, Lawal, & Beki, 2018).

Government enterprises necessitate continuous financial support for their efficient operation. Public enterprises in Nigeria face numerous challenges, including insufficient capital, lack of financial autonomy, managerial and employee issues, governmental interference, technological constraints, and political meddling (Mahmood & Kanwal, 2017). Given that a monocultural economy fails to satisfy demand or provide substantial revenue for economic operations or public businesses, the government is exploring strategies to mitigate the economy's swift decline by implementing policies aimed at revitalization. Electricity is fundamental to the socio-economic growth of any nation; therefore, it is imperative to prioritise sufficient budgetary allocation, availability, and accessibility, particularly in Benin Edo State and Nigeria as a whole (Aliyu and Mahmood 2014).

Persistent power outages have resulted in inconsistent production and diminished resource utilisation in both industries and educational institutions, while the Nigerian government has faced embarrassment on multiple occasions when the Power Holding Company of Nigeria (PHCN) interrupted power supply during official government events. The PHCN has consequently become a target of mockery and disdain for more than twenty years. The PHCN must navigate internal and external adversities and limitations, including inadequate funding, corruption, excessive federal oversight, equipment vandalism by criminals, fraud, unethical practices, and insufficient maintenance of electrical infrastructure, adverse weather conditions, erosion threats, and outstanding debts (Arnold, Kohlin & Persson, 2006).

The Federal Government implements privatisation and commercialisation strategies as a solution to issues arising from public enterprises. Economic policies exist that confer complete autonomy to public businesses, enabling them to function without government subsidies, oversight, or interference, ultimately leading to efficient service delivery and heightened productivity that contribute to national growth and development. Despite having similar objectives, namely, providing efficient services to the public, high production, and profitability, these two notions differ in nature and character (Babatunde, 2016). In 1988, the Federal Government of Nigeria established the Technical Committee on Privatisation and Commercialisation (TCPC) under Decree No. 25. Decree No. 25 tasked the TCPC with privatizing and commercializing specific government enterprises.

The primary objective was to enhance efficiency and production within governmental organisations. The Federal Government of Nigeria established, financed, and controlled the Power Holding Company of Nigeria Limited, a public company, and this research aims to investigate and analyse the interrelationships among factors that contribute to its effective operation. The study used both first-hand and second-hand data to look into how the PHCN's perceived organisational environment, such as government involvement, roles, and limitations, affects the effectiveness of the PHCN's privatisation and commercialisation (Babatunde, 2016). This paper investigates the reasons behind the ineffectiveness of public enterprises in Nigeria and its impact on the operational efficiency of the Power Holding Company in Benin, Edo State, Nigeria. The Federal Government instituted public enterprises, particularly during the 1960s and early 1970s, when the public sector was considered a significant driver of economic growth and socio-political stability. The government in Nigeria establishes public enterprises to fulfill specific social and economic roles for the populace. The purposes of these public enterprises are to manage resources and generate funds for the establishment of specific infrastructure, particularly in sectors necessitating substantial financial investment, such as railways, electricity, and telecommunications. Additionally, they aim to generate revenue that will contribute to the financing of development programs and projects, serving as effective instruments for job creation. Consequently, the Federal Government of Nigeria instituted a credible and effective privatisation and commercialisation policy in response to the absence of those functions. The project aims to investigate the motivations for privatisation and commercialisation, the effects of these processes on the Nigerian state, and the issues faced by PHNC.

2.0 METHODOLOGY

We chose the survey research strategy as the appropriate approach for this particular endeavour. Osuala (2005) states that the survey method investigates both large and small selected groups from the population to uncover the relative incidence, distribution, and inter-related variables. Survey research draws a sample from a population or universe and then studies it. From this sample, it was possible to draw conclusions about the entire population. This design was chosen primarily because of its ability to elicit information from a vast population of people with varying interests, as well as generate specific primary information from their original sources. This was the key factor that influenced the decision to choose this design. Furthermore, it allows you to generalize and make predictions based on statistical analysis. When referring to a study, the term "population" refers to the total number of individuals considered for the study. This study includes employees of Power Holding Company and beneficiaries of the utilities of Nigeria (PHCN) as its target group. The researcher has selected the people who work for the Power Holding Company of Nigeria in the Benin zone. In the process of carrying out this research, the technique of incidental sampling proved to be more suitable for the goal of acquiring information for the purpose of generalising about the wider population. We chose 170 volunteers for the study.

The questionnaire served as the data collection method for this study. We used a questionnaire when we needed factual information. We provide a list of questions (items) for individuals to fill out, allowing them to respond by either selecting yes or no, or by selecting additional possibilities that the research may choose to accept. This research project used a questionnaire that included multiple opinions for the questions; allowing respondents to select the option they

believed best reflected their opinion. We selected this particular research strategy to elicit information from direct sources (PHCN workers) and to facilitate the researcher's work in categorising and analysing respondents' opinions. Furthermore, the researcher conducted personal interviews to verify the accuracy of the responses provided in the questionnaire instrument. We used the split-half method to demonstrate the instrument's reliability. We assigned an odd number to each component of the instrument and even distributed it to students outside the study region. We used chi-square statistical analysis to examine the acquired data. These specialists determined that the obtained value of 0.99 was adequate for the instrument's application in the research project. In order to analyze the information that was gathered via the questionnaire, the researcher used the straightforward percentages approach to data analysis. The analysis was presented in tabular format for ease of comprehension, and it included the total number of responses as well as the percentage that corresponded to that number.

3.0 RESULT AND DISCUSSION

3.1 Socio-demographic Attribute of Respondents

Table 1 displays the results of the respondents' years of work experience. According to the data, 77.92% of respondents had worked for six to ten years, followed by those who had worked for three to five years (16.24%), those who had worked for eleven years or more (3.89%), and those who had worked for two to two years (3.89%). We can infer that a significant proportion of the participants possess extensive experience in their respective fields. The results show that 64.93% of respondents receive their training through on-the-job training, followed by off-the-job training (18.18%), the simulated method (9.74%), and a combination of all methods for 7.14% of respondents. PHCN employs specific training methods to train its employees. These methods may vary depending on the type of staff and the organisation's training requirements, which may originate from the centralised authority. Table 3 reveals that 76.62% of the respondents fell into the junior staff category, followed by supervisors at 10.38%, middle management personnel at 8.44%, and top management at 4.54%. According to staff categorization, junior staff constituted the majority, and pot managerial staff, at 4.54%, the lowest.

4.0 REASONS FOR PRIVATIZATION AND COMMERCIALIZATION

According to the findings in Table 2, 81% of respondents believe that the government privatised in order to make profit, while 12.98% believe that it was done to improve service delivery efficiency. The remaining 8% of respondents said that the government took the initiative to develop job possibilities. As a result, the majority of respondents believed that the government pursued privatisation and commercialisation in order to make profit. Findings on profitability from privatisation and commercialisation show that 87.01% of respondents believe that privatisation and commercialisation have improved the company's profitability, 9.74% believe it has decreased, and 3.24% are unsure whether it has had a positive or negative impact on the economy. The implication is that privatisation and commercialisation benefitted the economy, as the majority of respondents agreed.

5.0 IMPACT OF PRIVATISATION AND COMMERCIALISATION ON THE NIGERIA STATE

The study's findings on the effect of PHCN privatisation and commercialisation on the Nigerian economy indicate that 90.25% of respondents believed it had a negative impact on the economy, while 6.49% believed it had a positive impact. Only 3.24% of the respondents were unaware of whether it had a positive or negative effect on the economy. Consequently, it is possible to infer that privatisation and commercialisation have a detrimental effect on the economy, as the majority of respondents concurred with this assessment. The findings regarding the impact on the level of employment since the privatisation of PHCN indicate that the employment rate has increased as a result of privatisation and commercialisation. Specifically, 68.18% of the respondents believed that the level of employment has decreased since the privatisation of PHCN, 25.97% of the respondents believed that the employment rate in the enterprise has increased, and 9% were uncertain as to whether employment in PHCN has increased or not. Given that the majority of respondents perceive a decrease in employment in PHCN following privatisation and commercialisation, it suggests that the exercise has not met its intended goal, and unemployment persists in the Nigerian economy.

The fact that 66.23% of the respondents thought the working conditions of the PHCN staff had not improved since NEPA's transformation into PHCN illustrates the impact of improved working conditions since privatisation. 32.46 percent of respondents thought working conditions had improved, while 1.29 percent were unsure. Consequently, the fact that 66.23% of the respondents believed that the working conditions of the staff had decreased indicates that the transition from NEPA to PHCN has resulted in a decrease in the working conditions of the staff.

The findings indicate that 94.15% of the respondents believed that the output of PHCN was low after commercialisation, 3.24% of the respondents believed that the output of PHCN was high since commercialisation, and 2.59% of the respondents were unaware of the issue. We determined that the implementation of commercialisation led to an inadequate electricity supply. The results of the survey regarding the level of satisfaction with the service delivery to the general public since privatisation indicate that 79.87% of the respondents believed that the service delivery of PHCN was not satisfactory after commercialisation, 16.23% were uncertain as to whether the service delivery of PHCN had improved since commercialisation, and 3.89% of the respondents believed that the service delivery was satisfactory. We determined that the PHCN's service delivery has not improved since its commercialization.

6.0 CHALLENGES TO PHNC

One study looked at the problems that stopped the privatisation and commercialisation of PHCN. Out of the 154 people who answered, 62.98 percent said that fraud, shady dealings, and corruption, as well as a lack of skilled workers and recruitment by favoritism, were the main internal issues that stopped the process. Another 14.28% said that corruption was the main issue, and 12.33% said that recruitment by favouritism was an issue. The majority of respondents believed that every issue on the list was a problem. This indicates that numerous issues significantly reduce the likelihood of privatizing and selling PHCN. According to the results, 48.5% of those who answered say that hoodlums vandalising equipment, rain and erosion, and debts due to PHCN are the main external problems that hurt the organisation. Only 1.94% say that rain and erosion are the main external problems. Most respondents cite

hoodlums breaking into equipment, rain and erosion, and non-payment of bills to PHCN as the main external problems. This means that these are the biggest external problems.

6.1 The government interferes.

The study revealed that 69.48% of respondents believed that government intervention in PHCN's operations could impact its effectiveness, while 25.97% remained uncertain about the impact of federal interference, and 4.54% disagreed. As a result, government meddling made it harder for PHCN to function properly. Less hiring through favouritism after privatization
The researchers found that 87.01% of those who answered thought that recruitment by patronage would go down with privatisation and commercialisation, while 12.99% did not think that way. Given the majority of respondents' agreement, privatization and commercialization of state businesses may lead to a decrease in hiring through favoritism. They believe that hiring people through favors will decrease as businesses and governments become more private and run by individuals.

7.0 DISCUSSION OF THE FINDINGS

Numerous factors contribute to the positive development of privatization and commercialization in Nigeria, while also advocating for the retention of government control over certain businesses. The data presented in this work revealed several flaws in private firms, but also revealed that, despite these shortcomings, privatisation and commercialisation continue to serve as crucial tools for economic growth in any country, especially in the third world. However, the execution of privatisation and commercialisation determines the good or bad performance or efficacy of this development policy instrument (Nightingale and Pindus, 1997). We should always examine and assess privatisation programmes based on their ability to meet the stated objectives. Furthermore, privatisation and commercialisation may progress slowly but steadily.

This study examined the objectives of privatisation and commercialisation programmes to determine their contribution to a successful privatisation and commercialisation activity. Political office holders' widespread involvement in past mistakes and broken promises leaves little doubt. However, it may be a mistake to view privatisation and commercialisation from a narrow perspective. Privatisation and commercialisation programs aim to achieve a wide range of objectives. It contains numerous core components that can work together to improve microeconomic efficiency. Through privatization and commercialization, we can achieve certain essential long-term objectives:

- i. Increasing productivity efficiency
- ii. Strengthening the private sector for employment and capacity utilisation;
- iii. Improving the financial health of public services through savings from suspended subsidies iv) Allocating more resources to other areas of government activities (e.g., rural community development).
- iv. This investigation revealed that Nigeria's privatization and commercialization programs do not form part of a comprehensive public sector reform plan. They do not take the challenge of creating a suitable regulatory environment seriously. The program's implementers are in a haste to sell up all state-owned firms without appropriate planning.

- v. There is no adequate monitoring and evaluation of Nigeria's privatisation and commercialisation program.

For example, Igbuzor (2007) revealed that fifteen (15) years after the start of the privatisation process in Nigeria, there has been no systematic review of the post-privatisation performance of affected firms. According to Maduka (2011) and Brooke Chambers (2008), just 10% of Nigeria's 400 privatised enterprises are currently running successfully. He continued, attributing the specifics of this dissatisfaction to various technical challenges inherent in the practice itself. It all begins with inchoate or lopsided asset acquisition and share purchase agreements, non-enforceable clauses and breach of share purchase agreements, due diligence of large corporation conducted at the data room of the BPE instead of a full financial and physical audit, under-valuation of state assets, asset stripping by the private sector firm acquiring the state firm, trade and competition interest between the acquired Government enterprises and the acquiring firm operating and competing in the same market, lack of capacity of the acquiring private firm, lack of technical knowledge or experience of the particular industry by the acquiring firm, inability of bidding firms to meet financial benchmarks, creation of an industry monopoly, unnecessary retrenchments of public officers by the acquiring firm, unexplainable or unfair assignment of the properties of the state agencies to subsidiaries or vice – versa, favouritism in the selection of core investors, disproportionate size of sector regulatory agencies as compared to the size of agencies under its supervision (Idornigie, 2012).

The study's findings support this allegation, demonstrating that PHCN, one of Nigeria's largest public enterprises, failed to meet expectations after privatization and commercialization. These technical complications, however, are the direct result of several structural flaws in Nigeria's legal, policy, and implementation frameworks for privatisation and commercialisation. Other issues encountered include labor opposition, a lack of publicity and public enlightenment, and a system bottleneck (Etukudo, 2000).

8.0 CONCLUSIVE REMARKS AND RECOMMENDATIONS

Power Holding Company of Nigeria (PHCN) PLC Benin's exclusive operation is to distribute power to the public. The privatisation and commercialisation of Power Holdings Company of Nigeria (PHCN) failed to achieve its objectives, particularly in electricity provision, profitability, and public employment, reduced electricity tariffs, satisfactory service delivery, and increased electricity output, despite substantial government investments in the enterprise. In conclusion, the government perceives privatisation as a strategy to promote a novel division of labour between the public and private sectors, thereby enhancing the effectiveness, efficiency, and developmental contributions of both sectors. The efficacy of the privatisation and commercialisation of Power Holdings Company of Nigeria (PHCN) should be assessed not by the sale transaction, the remuneration received by the government, or the growth of the divested firm, but rather by the wealth generated post-sale. It is evident that economics cannot be separated from politics, and it is well acknowledged that the fundamental issue confronting public enterprises in Nigeria is management or control, or the unwillingness to separate ownership from control. Privatization and commercialization can resolve this issue by reducing expenses and fostering economic recovery.

The researcher concluded from the respondents' submissions that excessive political meddling in the operational affairs of the public sector adversely affects PHCN Benin's functioning. In 1993, the Federal Government of Nigeria (FGN) noted that the fundamental premise for privatisation and commercialisation is the expectation that the process will enhance the efficiency and profitability of the investment. The difficulties encountered by the Power Holding Company of Nigeria reflect a wider electrical supply dilemma that has afflicted the nation for decades. The operational inefficiencies, incompetence, and corruption endemic to PHCN have compromised its capacity to deliver reliable energy to millions of Nigerians. The socio-economic consequences of these failures permeate all sectors, inhibiting industrial expansion, obstructing healthcare provision, and intensifying educational inequalities. Nonetheless, despite these obstacles, a semblance of optimism for reform in Nigeria's power sector persists. Nigeria may develop a more resilient and sustainable electrical industry through aggressive privatisation efforts, a strong emphasis on renewable energy, and the formation of public-private partnerships. The stakes are significant; nevertheless, with appropriate policies and pledges, Nigeria possesses the capacity to revolutionise its energy sector and fully capitalise on the economic advantages of a dependable power supply. The commercialization of state companies in Nigeria represents a significant shift in the nation's economic governance and service provision strategies. While it holds promise for enhancing efficiency, production, and investment, it is also fraught with challenges. By tackling corruption, enhancing transparency, and mitigating socioeconomic disparities, Nigeria may realign its public enterprises to successfully achieve their designated objectives. To effectively leverage the advantages of commercialization, a sophisticated understanding of the underlying potentials and difficulties associated with such transitions is required. Nigeria must maintain its commitment to balancing economic goals with its social compact with citizens, ensuring that progress is inclusive, sustainable, and equitable.

Ultimately, it is the government's responsibility to reform the Nigerian economy and use its political and economic influence. These exercises will incite rivalry among several commercialised and privatised industries in Nigeria, notably PHCN and Benin. Furthermore, the inefficiency and ineffectiveness of these private firms has resulted in higher electricity costs, limited availability, and a lack of job creation, all of which contribute to economic decline, unemployment, and underdevelopment. By appointing the appropriate individuals to manage the system and ensuring adherence to the correct regulations, we can transform these obstacles into opportunities.

9.0 RECOMMENDATIONS

We have made the following recommendations based on the findings, understanding that a few individuals control privatization and commercialization. Therefore, the government should scrutinize and choose competent individuals to manage private enterprises before issuing licenses, instead of individuals with dubious backgrounds, to ensure the successful implementation of privatization and commercialization.

Capturing the confidence of labour: The government should try to persuade workers to support privatisation and commercialisation by granting them ownership stakes in the firms. The government could offer workers a portion of the shareholding at a special reduced rate. To allay labour union fears, there is a need for good follow-up on privatised firms, as well as a record

of precise numbers on pre- and post-privatisation employment levels, particularly statistics that demonstrate whether employment is diminishing or rising. Other figures should reflect the amount of talented and qualified labor the buyers will absorb, among other things. On the other hand, labour must acknowledge that retrenchment may have resulted in the loss of many jobs, as the government cannot continue to subsidise crisis-ridden public firms indefinitely; the only guaranteed exercise is constant layoffs.

Government firms providing strategic services such as public commodities (electricity, water, fuel, etc.) should implement partial commercialization and privatization. We should not privatize public enterprises that aim to provide or maintain peace, order, security of essential documents, and economic regulation. The nature of their services and products necessitates restrictions and reorganization to enhance efficiency. We should keep corruption to an absolute minimum to end the problems plaguing government companies. The government should refrain from interfering with the PHCN's activities, engage capable personnel to manage the PHCN, and implement merit-based recruitment. The results clearly indicate the need to build power plants. The placement of these plants in the system should be strategic, and greater power generation is required at these nodes. To enhance economic growth, we must reinforce the transmission network and ensure all PHCN branches transmit generated power.

We should encourage staff training by offering paid study leave, and when we award a scholarship, we should establish an appropriate contract that requires the employee to work for a set number of years after completing their degree. Prioritize on-the-job training, allowing experienced personnel to impart their knowledge to newly hired colleagues. We should organise periodic seminars and workshops at a reasonable cost for all employees to familiarise them with current changes in management approaches and current development programmes in the organisation, as a motivated workforce leads to productivity. Any country's socioeconomic development hinges on the complete privatization and commercialization of electricity, similar to the national telecommunications carrier NITEL, to enable Nigerians to experience the same growth and development as their counterparts in Malaysia, Indonesia, and India. The private sector-driven economy is critical to this development, and the government must establish it in Nigeria if it is to expand and flourish industrially, socially, and politically.

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