

## Public Enterprises and Socio-Economic Development in Nigeria

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### **Abstract**

*Public enterprises are organizations which emerged as a result of government acting in the capacity of an entrepreneur. The main motive of public enterprises is ensure effectiveness and efficiency in service delivery towards enhancing social and economic development. However, in spite of this gigantic motive, public enterprises in Nigeria failed to achieve the purpose of their establishment due to certain irregularities. Thus, this paper investigated the extent to which public enterprises attain efficiency in service delivery particularly the PHCN, the factors that led to the character of services rendered as well as whether the services rendered by the enterprise affects income and savings of its customers. To do this, the study used survey method. Convenient sampling method was also used in selecting the 50 respondents who participated in the research. Chi-square statistics was also used in testing the hypotheses. The findings indicated that PHCN does not attain efficiency in service delivery; that mismanagement and improper planning are responsible for the character of services rendered by PHCN; also PHCN moderately affect personal income and savings of customers. It is therefore recommended that control mechanisms need to be put in place, performance criteria need to be applied, right and qualified personnel need to be employed, conducive working condition need to be provided and there should be transparency and accountability in discharging responsibilities. This is with a view to curtail the identified lapses towards smooth functioning of the enterprise.*

**Keywords:** Public Enterprise, Socio-Economic Development, PHCN, Nigeria.

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### **Background of the Study**

Public enterprises as a form of business organizations, have recently achieved great importance. This is because previous governments engaged in industrial and commercial activities most especially during the 20<sup>th</sup> century. The term public enterprise connotes a form of business-like organization that is owned and managed by the state government or any its agencies. In other words, it is an undertaking owned and managed by either the central government, state government or a local government in which the government made all or most of the investments.

Public enterprises emerged as a result of government engaging in entrepreneurial activities (Obikeze & Anthony, 2004). Public enterprises are otherwise known as public corporations. In the views of Dimok (1970), public enterprises as those enterprises owned by government that are chartered under federal, state or local government law for a specific business or economic purpose. Pfifner (1964) observed that "A public corporation is a body framed for the purpose of enabling a number of

persons to act as a single person". For instance the scope of this study i.e. the Power Holding Company of Nigeria (PHCN) Sokoto formerly known as the National Electric Power Authority (NEPA) was saddled with the responsibility of generating enough megawatts to cater for the power needs of the Nigerians. But due to certain irregularities, the enterprise did not live up to expectation. This was one of the major reasons for its privatization whereby its management was placed in the hands of private individuals. This is because more efficiency in service delivery is needed from the enterprise towards improving social and economic development. Thus, public corporations are without any iota of doubt, very vital towards the development and survival of countries.

### **Statement of the Problem**

There is a general consensus that public enterprises in Nigeria have failed to deliver on the purposes for which they were established. Tokunboh (1990) posits that there is gross management inefficiency in most public enterprises in Nigeria, thus the enterprises were

unable to render effective services. Okeke, Onuarah & Okonkwo (2016) observed that “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”. This is in line with the views of the former president of Nigeria, Olusegun Obasanjo (2003) who observed that: “Nigerians have too long been feeling short changed by the quality of public services. Our offices have too long been showcases for combined evils of inefficiency and corruption, whilst being impediments for effective implementation of government policies. Nigerians deserves better. And will ensure they get what is better.”

It is a well-known fact that commercial banks were in critical state in the 1990s, the Nigerian National Petroleum Company and other parastatals in the oil and gas sector were unable to provide constant and quality petroleum products, likewise the national shipping lines and airlines were also unable to deliver excellent services in order to remain competitive globally. Similarly, the re-branded National Electric Power Authority, now Power Holding Company of Nigeria (PHCN) failed to provide essential electric power supply to the country (Okeke, Onuarah & Okonkwo, 2011). This indicated that most of the public enterprises in Nigeria did not live up to expectations as Agabi, and Orokpo (2014) observed that “the Nigerian public enterprises were compromised in many instances leading to inefficient utilization of resources and heavy dependent on national treasury for financial operations. The activities of the enterprises were however, characterized by mis-management of funds, corruption, mis-use of monopoly, bureaucratic bottlenecks and inability to enhance the socio-economic well-being of the people”.

The Power Holding Company of Nigeria (PHCN) which is the focus of this study, has not been able to generate enough megawatts to cater for domestic and industrial needs of the Nigerian populace. There has been constant creeping power supply for the past 20 years. This notwithstanding, most consumers have to

pay for electricity that had never been consumed by them. Because the PHCN distributive lines have not ensured that power gets to each and every angle such as homes, offices, communities, shops, work place environment and factories. It is also on record that in most cases when there is any problem with either transformers or electricity poles, it usually takes long time for the PHCN to rectify the issue. Sometimes it takes months or even up to a year or more, thereby throwing the entire community into darkness.

It is however a fact that PHCN electricity supply is now a backup. Indeed many homes, offices, shops, factories and even government structures have to solely depend on generators for power supply with huge sum of money being spent on fuel. On the contrary, those without the ability to buy generators have to cope with darkness as well as the associated heat. This resulted in many entrepreneurs such as electronic repairers, barbers, hair dressing salon owners, soft drink and pure water sellers, and tailors to lose their source of income. Nigerians greatly need general improvement of their socio-economic well-being which is actually deficient.

### **Research Objectives**

The research specifically aimed at identifying the contributions of public enterprises towards socio-economic development with particular reference to PHCN Sokoto as its scope. The research has the following objectives:

1. To examine the degree to which it can be established that PHCN attains efficiency in service delivery.
2. To identify the factors that are responsible for the character of services rendered by PHCN.
3. To measure the extent to which PHCN affect personal income and savings of customers’ vis-a-vis economic development of the society.

### **Hypotheses of the Study**

The research has the following hypotheses:

1. That PHCN does not to any extent attain efficiency in service delivery.
2. That neither legislation nor policy changes are responsible for the character of services rendered by PHCN.
3. That the PHCN does not affect personal income and savings of customers vis-a-vis economic development of the society.

### Theoretical Framework

The study adopts Pragmatic Economics Theory as its theoretical framework. Because the theory supports government participation in economic activities so as to reduce mass unemployment, take care of market deficits, promote economic development, address issues of capital shortfalls and ensure national control of the economy, particularly in developing countries. According to the theory, state enterprise emerged from the service institutions in order to cater for the increasing public needs and expectations which in most instances cannot be met except through government's involvement in direct economic management.

The theory out rightly suggested government's involvement or intervention in economic issues. This is with a view to ensure efficiency of the government enterprises towards effective service delivery for a better society. The intervention is also meant to reduce unemployment thus affecting the personal income and savings of individuals within the society. This forms the basis for the research hypotheses.

### Review of Related Literature

This section reviewed some of the related literature for the purpose of establishing sound basis upon which logical conclusion could be drawn.

#### **Public Enterprises: Conceptual Clarification**

Public enterprises are institutions whose activities are of business in nature, in which the government has majority interest, which have distinct management and which render services or produce goods (Efange, 1987). To Obadan and Ayodele (1998) and Obadan (2000), public enterprises are organizations whose major responsibility is production and sale of goods and/or services in which government or any of its agencies have no stake in its affairs or control over its activities.

Laleye (2002) observed that "public enterprise are organization set up as a corporate body and as part of the governmental apparatus for an entrepreneurial or entrepreneurial-like objective". Thus, public enterprises are organizations that emerged as a result of government engaging in business activities (Ademolekun, 1983). Praxy (1980), defined public enterprise as "an organization wholly or by a majority publicly owned, engaged in economic activities within the sphere of

agriculture, industry, commerce or service, involving investment and returns and the sale of goods and services and whose affairs are capable of being stated in terms of balance sheets and profit and loss accounts". According to Paul (1985), public enterprises are government established organizations whose main motive is providing public goods and not profit making. This also the main motive of PHCN i.e. the provision of enough power supply to cater for the needs of the people. Even though the enterprise generates some amount of money, profit making is not the motive for the establishing the enterprise.

#### **Socio-Economic Development Defined:**

Socio-economic development refers to the process of societal development socially and economically. Certain indices such as literacy and levels of employment, life expectancy and GDP are used in measuring the level of socio-economic development. For instance when life expectancy rate is high, when the unemployment rate is low, and when individuals in the society are highly educated, this can contribute to social and economic development of that society or community. Socio-economic development otherwise known as Corporate Social Investment (CSI) is one of the common ways used by companies to help the communities' within which they operated, in order to boost the economy. As a part of good governance practice, Corporate Social Investment helps companies by encouraging them to bring in new ideas that will assist people in becoming economically viable.

#### **Performance of Public Enterprises in Nigeria**

The performance of public enterprises are in most cases very difficult to access. This is due to the fact that they don't have a clear-cut objectives like their counterparts in the private sector. In the private sector for instance, economic rationality may be the major consideration whereas in the case of public enterprises, political and other social motives may be the main purpose of their establishment. To worsen the situation, some primordial issues may even be the motive for establishing a specific public enterprise.

This notwithstanding, public enterprises could be assessed using some criteria such as the quality of service delivery and return on investment. It is indeed a well-known fact that most public enterprises in Nigeria are grossly inefficient (Tokunboh, 1990). Because almost

all the public enterprises render epileptic and poor services to the people. Commenting on this issue i.e. the performance of public enterprises in Nigeria, Ahmed El-Rufa'i, (2003) stated that "one needs to review the level of coverage and inefficiency of our utilities measured against what they draw, directly or indirectly, from the federal treasury for this point to be irrevocably settled". For instance, NEPA now PHCN deliver an average power supply of six hours per day to only 12% out of the total population in the country. NITEL also attracted about \$20 billion between 1979 and 1988 as operating subsidies. But despite this, Nigerians were provided with the most expensive phone network in the world. However, in nearly two years, almost two million lines were added to the country's phone network by the Econet, MTN, multilink and intercellular without the treasury receiving any amount of money. Instead, they pay more than \$1 billion in taxes, license fees and levies.

It is imperative to note that government has indeed pumped a lot of money to boost the activities of public enterprises in Nigeria, but instead of improving and live up to expectations through provision of the required services, they are always retrogressing and remained inefficient. Public enterprises have now become drain pipes on the economy without making significant contribution to economic development through service delivery (Obikeze & Obi, 2003).

In the area on return on investment, it was estimated that past Nigerian governments have invested nearly 800 million naira in public enterprises. But the annual returns on this gigantic investment was below 10%. These inadequacies and huge losses, are charged against the public treasury (Obasanjo, 1999). The then Director General Bureau of Public Enterprises Nasir El-Rufa'i, while supporting the views of president Obasanjo on the public enterprise return on investment, said that:

"These public enterprises consumed over one third of all the money we made from the sale of oil since 1973. Estimates of the vision 2010 committee indicated that federal government's investments in public enterprises stood at over \$100 billion in 1996. The return on these

investments averaged less than 0.5% per annum".

It is worth mentioning that assessing the performance of public enterprises in Nigeria using the criteria of service delivery and return on investment, indicates that public enterprises in Nigeria have not lived up to expectations at all.

### Methodology

Survey method was used in which questionnaires were administered in order to gather the required information. A total of 50 samples were conveniently drawn from the total population. However, Chi-square ( $X^2$ ) statistics was used in testing the hypotheses. The Chi-square is an inferential statistical method designed to test hypotheses. It has four steps. The 1<sup>st</sup> step is determining the expected frequency (E). The 2<sup>nd</sup> step is calculating the  $X^2$  value. The 3<sup>rd</sup> step is determining the degree of freedom (DF). While the 4<sup>th</sup> and final step is decision making.

### Sources and Reliability of the measuring Items

The items in the questionnaire were extracted and developed from literature. Example Tokunboh (1990), Okeke, Onuara & Okonkwo, (2016), Agabi, and Orokpo (2014). However, in order to ensure content validity and reliability of the measuring items, pre-test was conducted. Flynn et al. (1990) indicated that there is no statistical analysis that can be used in ensuring content validity. It is usually done by experts through qualitative judgement. The pre-test involved five (5) academicians whom were asked to identify: (i) if some questions need to be added or dropped (ii) if the content of the instruments is adequate enough (iii) if the questions are in order, and (iv) if the questions can easily be comprehended. The feedback helped in coming up with an improved instrument by modifying the previous one.

### Results and Discussion

This section of the study presents the data obtained from the field and discusses same from which conclusions and recommendations would be arrived at.

**Table 1.** Demographic Affiliation of the Respondents.

S/N	Variable	Number	Percentage (%)
1.	<b><u>Sex</u></b>		
	Male	38	76%
	Female	12	24%
2.	<b><u>Marital Status</u></b>		
	Married	37	74%
	Single	13	26%
3.	<b><u>Educational Qualification</u></b>		
	OND	22	44%
	Bsc/HND	18	36%
	Msc	10	20%

Source: field work

Table 1 showed the demographic affiliation of the respondents. The table indicated that 76% of the total number of respondents are males while 24% are females. The table also showed that 74% of them are married while the remaining 26% are not married. On the educational qualification of the respondents, the table showed that 44% of them obtained OND, 36%

of them obtained Bachelor's degree/HND while 20% of them obtained Master's degree. This indicates that the respondents are literates as more than 50% of them possess either a bachelor's degree or a master's degree.

**On the question:** To what extent can it be established at PHCN attain efficiency in service delivery?

**Table 2:** Extent of PHCN efficiency in service delivery

Level	Response Rate	Percentage
Very High	10	20%
Very Low	26	52%
Moderate	14	28%
Total	50	100%

Source: Field work

The respondents as indicated in Table 2, stated that the level of efficiency of PHCN is very low as it constitutes 52% of the respondent's views. 20% of the respondents are of the view that the level of efficiency is very high while the remaining 28% believed that the efficiency is moderate. This is line with the views of Tokunboh (1990) who posits that public

enterprises in Nigeria are grossly inefficient and does not live up to expectations. The PHCN for instance provides epileptic services to the people instead of providing enough megawatts to improve the power supply.

**On the question:** What in your opinion is the possible cause of inefficiency in PHCN? The results are displayed in Table 3.

**Table 3:** Causes of inefficiency in PHCN

Factors	Response Rate	Percentage
Corruption	08	16%
Bad Leadership	10	20%
Political Influence	09	18%
All of the above	23	46%
Total	50	100%

Source: Field Work

Table 3 showed that corruption, bad leadership and political influence are the root causes of inefficiency of PHCN because 46% of the

respondents believed that all the three factors are responsible for the inefficiency in the sector. Only 16% of the respondents believed that the cause of the inefficiency is as a result of

corruption; 20% of them believed that it is as a result of bad leadership while the remaining 18% attached political influence to the cause of the inefficiency. This is in line with what Agabi, and Orokpo (2014) observed that “the Nigerian public enterprises were compromised in many instances leading to inefficient utilization of resources and heavy dependent on national treasury for financial operations. The activities of the enterprises were however, characterized

by mis-management of funds, corruption, mis-use of monopoly, bureaucratic bottlenecks and inability to enhance the socio-economic well-being of the people”.

**On the question:** To extent does PHCN affects personal and income savings of customers vis-a-vis economic development of the society? The result is displayed in Table 4.

**Table 4:** Extent of effect of PHCN on personal income & savings of customers

Level	Response Rate	Percentage
Considerably High	06	12%
Very Low	19	38%
Moderate	23	46%
Not at all	02	04%
Total	50	100%

Source: Field work

As indicated in Table 4, the respondents believed that PHCN moderately affects personal income and savings of customers. This is the view of 46% of them. The other 38% believed that the effect of PHCN to personal income and savings of customers is very low while only 12% believed that the effect is considerably high. Only 02% of them however, believed that the enterprise doesn't have any effect at all as per personal income and savings

of customers are concerned. Since the power supply is not constant, there is no way the activities of the PHCN can highly affects personal income and savings of their customers as rightly observed by the respondents.

**On the question:** What factors are responsible for the character of services rendered by the PHCN? The result is displayed in Table 5.

**Table 5:** Factors responsible for the character of services rendered by the PHCN

	Responses	Percentage
Policy Changes	05	10%
Improper Planning	18	36%
Mismanagement	25	50%
Legislation	02	04%
	50	100%

Source: Field Work

From Table 5 above, majority of the respondents believed that mismanagement and improper planning is responsible for the character of services rendered by the PHCN. This constitute the views of 50% and 36% of them respectively, while 10% and 04% of them believed that it is due to policy changes and

legislation respectively. This was already pointed out by Agabi, and Orokpo (2014) that improper planning and mismanagement among others are some of the factors responsible for the character of services rendered by most public enterprises in Nigeria, PHCN inclusive.

**Hypotheses Testing****Table 6:** Hypotheses Testing

	<b>Alpha Level</b>	<b>DF</b>	<b>Calculated Value (<math>X^2</math>)</b>	<b>Cumulative Table Value (CTV)</b>	<b>Decision</b>
<b>H1:</b> PHCN does not to any extent attain efficiency in service delivery.	0.05	2	0.3	5.991	CTV > CV, null hypothesis is thus rejected. This mean PHCN is inefficient in service delivery.
<b>H2:</b> Neither legislation nor policy changes are responsible for the character of service rendered by PHCN	0.05	3	18.85	7.815	CTV < CV. The null hypothesis is accepted. This mean that neither legislation nor policy changes are responsible for the character of services rendered by PHCN
<b>H3:</b> That PHCN does not affect personal income and savings of customers.	0.05	3	3.14	7.815	CTV > CV. The null hypothesis is thus rejected. This mean that PHCN does not affect personal income and savings of customers.

Source: Analysis of field work

From Table 6, Hypotheses number 1 stated that “PHCN does not to any extent attain efficiency in service delivery”. The result of hypothesis testing indicated that the Critical Table Value (CTV) is greater than the Calculated Value (CV). The null hypothesis is therefore rejected. This mean that PHCN is totally inefficient. The responses indicated that PHCN’s efficiency in service delivery is very low.

However, as indicated in Table 6, Hypothesis number 2 stated that “Neither legislation nor policy changes are responsible for the character of services rendered by PHCN”. The result of the hypothesis testing indicated that the Critical Table Value (CTV) is greater than the Calculated Value (CV). The null hypothesis is therefore, accepted. This mean that really neither legislation nor policy changes are responsible for the character of services rendered by the PHCN.

Again, as shown in Table 6, Hypothesis number 3 stated that “PHCN does not affect personal income and savings of customer’s vis-à-vis economic development”. The result of the hypothesis testing showed that the Critical

Table Value (CTV) is greater than the Calculated Value (CV). The null hypothesis is therefore, rejected. This mean that PHCN does not affect personal income and savings of customers vis-a-vis economic development. The responses indicated that the effect is moderate.

**Summary of the findings**

From the analysis made, it was clear that PHCN as a form of public enterprise does not live up to expectations. It is an enterprise created by government to generate enough megawatts for electricity supplies to the entire citizens, but due to certain irregularities and attitudes of those entrusted with the responsibility of running its affairs, the enterprise failed to achieve the purpose for which it was established. Among the factors that hinders the enterprise to accomplish its tasks includes corruption, bad leadership, and political influence as identified by the respondents.

It was also observed that even though the responses revealed that PHCN moderately affects personal income and savings of

customers, the result of hypothesis testing showed that PHCN does not affect personal income and savings of customers. However, literature showed that most companies and factories cited in Nigeria failed due to insufficient power supply, thus affecting the socio-economic development of the country.

### Conclusion and Recommendations

From the analysis and review of literature, it is clear that most public enterprises in Nigeria PHCN inclusive does not live up to expectations. The enterprise became inefficient as optimized by the epileptic services they render to the public. Over the years government pumped a lot of money into the enterprise. But instead of improving, it became a drain pipes on the nation economy without making any significant contribution to the nation's economic development through service delivery.

To curtail the identified challenges facing the PHCN as a public enterprise, the following are recommended:

1. Government must ensure that it provide adequate control mechanisms. This control is very necessary in order to compel them to provide the services that they were created to provide.
2. The governance body and senior management together can improve the operations of the PHCN by developing and applying performance criteria related to a clear mission and set of development objectives. This requires the enterprise to formulate short term and medium term strategic plans and programs, evaluate organizations performance and the performance of the executive officers or senior managers.
3. Right and qualified staff should be employed in order to ensure stability and progress. To do this, the recruitment exercise should be based on merit. Employees should however be motivated through incentives so as to attract experienced and qualified staff. Appropriate compensation standards should also be provided.
4. Conducive working environment and an attractive take home pay should be provided. This will enable the staff to put in their best towards the realization of the objectives of the organization which is the efficient and steady power supply.
5. Transparency and accountability should also be ensured in the discharge of responsibilities.

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