

**EFFECT OF PRIVITIZATION AND COMMERCIALIZATION OF
PUBLIC ENTERPRISE IN NIGERIA**

(A STUDY OF POWER HOLDING COMPANY OF NIGERIA)

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APPROVAL PAGE

This work has been supervised and carefully gone through, and approval as having satisfied one of the necessary conditions for the award of Post Graduate Diploma in Public Administration in the Department of Public Administration, Usmanu Danfodiyo University, Sokoto.

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DEDICATION

This project is dedicated to Almighty God for his Strength and Grace in making it possible for me to witness the completion of this project.

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CHAPTER ONE

1.1 INTRODUCTION

In Sokoto Nigeria and Federal Government owned enterprises is the expectation action that the rate of growth and development may be satisfied through promotion of such enterprises.

The adoption of privatization as an alternative development plan must have been of pernicious one for some element of the Nigeria ruling class. This is because public enterprises have tended to become important revenue for serving ethic based distribution interest indeed the recent call for reversal of the exercise in the lending banks in the country is seen as the consequences of apparent loss of influence, which the privatization exercises has endangered within this cycle.

It is clear from the fore going development as well as socio-political imperative was moving behind every government presence industry in Nigeria economics performance of organization was of secondary importance. It would appear that so long as funds are abundant in parastatals and corporation wasted would be tolerated, as long as they seem to be meeting certain ethic-regional interest hence the poor performance of the public sector interest or government in patronage,. The reversal on government in favour of economic performance is hardly of conformation of reduction on references of the

certain interest, rather is it the rather it is result of several liquidly problems facing government. The aim of this study is this to see if the efficiency arguments will prove a strong justification for the adaptation of privatization policy. It is therefore mainly concerned with the most broadly sustainable economics for privatization, but I also tries to understand the extent with which political, social and economic consequences of such policies are mutually supportive in terms of directions and velocity.

1.1 STATEMENT OF PROBLEM

Addressing the inaugural meeting of the presidential consultative committee on privatization the economic in Abuja the area concern, according to him includes: democratization, globalization, linearization and technological privatization and commercialization of the state owned enterprise.

Consequently, the need arose to place the average Nigeria who ultimately private the basic for corporation survival (profit) at the center of the activities, to produce goods and services in an economic sense in view of the above this research question.

- A. Why do most Nigerians Believe that private means to sell the state owned enterprises to few rich individuals?
- B. To what extent privatization will solve the problem inefficiency.

- C. How can privatization solve the problem of poor performance in the public enterprises, which is reflected on high debt level?
- D. How can privatization increase the quality of goods and services?
- E. What happens if there is managerial incompetence, inadequate and inappropriate accounting practice in public organization?

1.2 OBJECTIVE OF THE STUDY

The Research is set to see if the efficient arguments of the privatization will improve a strong enough or adoption of privatization policy.

Specifically, the study intends to achieve the following objectives.

- A. To understand the extent to which political, social and economic consequences of the policy is mutually supportive of direction and velocity.
- B. To examine the significance of ownership (private or public as the source of business efficiency and success.
- C. To correct the impression created by some Nigerians who viewed privatization as a pernicious venture.
- D. To examine the modalities adopted by the government in privatizing the banking industry.

- E. To identify and show the pattern of ownership structures of the banking industry before and after privatization.
- F. Efficiency in production before and after privatization.
- G. To show whether there is increase in turnover of the industry as a result of privatization.
- H. To offer possible solution to problem identified

1.3 SIGNIFICANCE OF THE STUDY

Very few people will doubt that the nation public sector is failing or that abounds where bureaucratic huge losses and wide spread corruption is present. With this can't mass taking either as evidence that the private, sector is therefore automatically better or more efficient or that public organization is wholly defined to be inefficient.

This study is a modest attempt at establishing the significance of ownership (private or public) as the source of business efficiency and success. The choice of this significance is deliberate because like the contemporaries Africa, it is known to have performed credibly even under public ownership using profitability as a measuring rod. It is true, then business efficiency transcends more ownership. In need, many firms are known to fail all the time and for the same reason advance against poor performance in the public sector, such as poor competency e.t.c, it

would then be possible to achieve business efficiency irrespective of owner ship status attempt will be made to establish this fact

Furthermore, privatization in less developed countries like Nigeria is bound to be significantly different in several ways. In a position where the programme has been a dominant public policy for some time now, it is a reasonably coherent and integral policy. In Nigeria the policy is directly linked to an acute liquidity problem and was generally imported with the particular of I.M.F/world Bank and western creditors. And with a patently structural characteristics and capital market much narrower and under developed economy.

Besides as noted earlier, government widespread presence in industry is considered strategic for either political or economic reasons, micro economic considerations such as relationship between cost and process were therefore not of prime importance. Nationalized industries include those mostly inherited from colonial powers are seen as an integrated part of government development plan. Industries on particular are said to have experienced large growth in the decades up to the mere dismissal of the public sector as wholly unproductive and inefficient. All these studies are more significant.

1.4 SCOPE AND LIMITATION

It is hardly the case that any research makes a complete study of problems, let alone a project like this one, which is consideration limited by time, space and resource.

Given that privatization is a relatively new phenomenon it has continued to provoke intense controversy as to acceptable application and inherent implication of such public policies. The theme of this study is to find out the impact of privatization programme on the Nigeria banking, which is restricted to empirical study of union bank in Nigeria plc Sokoto state branch.

The dissertation would have extended more than this scope but due to some limitation such as other academics endeavours, financial and time constraints. This management of union bank plc gave excuse that they don't want their confidential documents and other necessary information to be exposed to a limitation to the study.

1.5 RESEARCH HYPOTHESIS

Hypothesis refers to as meaningful proposition, which could be accepted or rejected in the light of prevailing findings. Consequently, hypothesis is at the beginning of this research to guide him in searching for relevant empirical evidences that could invalidate or confirm his assumption is made.

Ho1. That privatization will enhance quality of goods and services.

Ho2. That privatization will lead to increase in the flow of foreign investment

Ho1. That commercialization will enhance quality of goods and services.

Ho2. That commercialization will lead to increase in the flow of foreign investment

Ho2. That privatization will lead to increase in the flow of foreign investment

Ho1. That government ownership will enhance quality of goods and services.

Ho2. That government ownership will lead to increase in the flow of foreign investment

1.6 METHODOLOGY OF THE STUDY

The primary method of collecting data used in carrying out this research study is to obtain. The primary data the researcher used questionnaire, which consists questions designed to gather information for data analysis.

Lastly the approach used in data presentation and analyses were of table and percentage.

1.7 BRIEF HISTORY OF UNION BANK PLC

The Bank was established in Nigeria in (1917) as a branch of Barclays Bank (dominion colonial and overseas) which later becomes Barclays Bank Plc (BBP).

On 30th May 1969 the bank was incorporated in Nigeria under part X of the company Act 1986 its name have been change from Barclays Bank (ACO) Nigeria limited to Barclays Bank of Nigeria limited 7th July 1970, the bank was wholly owned subsidiary of BBP. In the same year it offered 8.33 percent of its equity to Nigerian citizens and association by way of an offer for subscription and the whole of its issued and fully paid. Share capital was administered to the official list of the Nigeria stock exchange.

In 1979, the name of bank was changed by a special resolution from Barclays of Nigeria limited to union bank of Nigeria limited. UBA made further offer for sale of 7,757,000 ordinary shares of 25 kobo each in 1987 to the Nigerian public. The bank there by becomes wholly Nigeria Company.

CHAPTER TWO

2.0 LITERATURE REVIEW

2.1 INTRODUCTION

For any research to be meaningful, it is important to review related literature. This will provide a clear perception of how the topic under consideration was treaded in the past and thus linking it with, present objectives of the research. For sake of convenience, we have divided this chapter into eight section, section one discuss the definition of privatization, section, two argument in favour of privatization, section some empirical studies on privatization, section five privatization in banking industrial section sex bank privatization in Nigeria, in the initial posturing, section seven the rational for bank privatization, section eight privatization a cursory assessment.

2.2 DEFINITION OF PRIVATIZATION

Privatization refer to selling public enterprise already owned by the state to private individual, business men so that owner shed structure should change to reflect private ownership. Privatization can be absolute partial, absolute one refers to a situation where the whole shares belonging to state are sold to private individual and government forfeit it share of ownership, while the partial one is wellthe government advertise and subsequently sale part of it share to public enterprises and

private businessmen. However there are various definition put forward by different scholars and writers on the topic.

Denis (1958:10-12) says that privatization means to make private or to "convert from public to private ownership", it define a transaction from one form to another. It should noted that, the private in privatization refers to sectors rather than persons hence privatization refer to the transfer of enterprises to private sectors interest.

Cook and Lurth Patrick (1988:10) says that privatization reflect and public sector. For hemming and Mansoor (1988:p.31) privatization is the transfer of public sector, activities to the private sector, it takes various forms including management contract, management buy out, deregulation of owned enterprises. Section four of the privatization and commercialization decrees 25 of 1988 defines privatization as the relinquishment of part or all the equity and other interest held by the Federal government of it agencies in enterprises whether wholly of party owned by the government. In this case, the engage in the investment of it shares holding designated enterprises or part of it share holding.

According to Nellis (1991:10) divestitures is another form of privatization, with involve a wide range of ownership the sale access leasing of arrangement or contracting out, in short privatization is a process of transferring of public owned enterprise to the private section,

which may be partial or complete out next test it give argue in favour of privatization.

2.3 ARGUMENT IN FAVOUR OF PRIVATIZATION

The argument for privatization may be conveniently said to have emerge in the classical era. In this wealth of generally indeed for pursuing his own interest frequently promote that of the society more effective than when he really to promote it.

He apply pointed out that people more prodigal with the wealth of other than their own, hence public administration is negligent and waist since bureaucratic and other public employees have direct and personal interest of commitment as such to the general out come of there or in action-smith argues that for example:

In case of managing and productivity of land, that public land should be privatizes as their productivity was only 25% of private land he believe that if the public land where privatize the owner will have the incentives to monitors activities eliminate waste maximize the value of the asset.

Hanke (1987) hemming and Mansoor (1988) and Ndonko (1991-31-32) bases on their argument privatization on efficiency ground. They emphasize the widespread in the efficiencies of state owned enterprises arguing that privatization in more likely to produce superior result and

high profit. A corollary to this is the "ecological fallacy" identified by Yoder Barbollar and Fresen (1991), is that X.Y.Z countries have experiences relative success in the development they have largest private sectors. Hence privatization must cause development.

(Hughes, 1982; Wilson, 1986) Cook and Kirk Patrick (1988) Commander and Kellick (1985) centre their argument on the issue of property right of asset that managers of public enterprises not only have no stake in their performance that they also lack equivalent incentive to operate efficiently as oppose owners. Hence they submit that ownership even in the presence of market imperfections.

Lal (1983: 2-8) argue that government intervention resources allocation has led to a widespread distribution. His argument is particularly centered on allocated efficiency, which according to him government intervention through public enterprises may not ensure efficient resources allocation and hence privatization is welcome.

World bank (1986) IMF (1986), Allem (1987) Bienen and Wategury (1989) maintained that "divestiture will cut government expenditure and then help restore budgetary balance. This argument is similar to the structural adjustment approach of too much government. Hence privatization and trimming the size of government emerge as an integral component of structural adjustment packages.

Adegbit (1991: 85-94) argues the privatization has been justified on the following basis; first that it allow for increasing democratization of an economic widespread ownership of shares. Secondly, that it promoted economic by improving private sector discipline on all planning and undertaking of enterprise. Third that privatization makes for financial gains on the part of the government and lastly it is said that Privatization Company is less likely than a government owned company to give in trade union pressure for increase wages at the risk of increasing price of hence reducing consumer's welfare.

Usman (1991=1) studying the financial and management problem of Nigeria public enterprises because of their inefficiency and therefore welcomes privatization and commercialization. Heb cited example with railways, airways, national electric power authority (NEPA) and Nigerian telecommunication ltd (NITEL). In Nigeria, which has all demonstrates high degree of efficiency, e believes that he will be efficient if they are in private hand.

He further explained that, public enterprises in Nigeria were doing well during the 1950's and 70's but with the end of oil boom period around 1985, the treasury cried up and along with it, the country foreign exchange resources, but the public enterprises liked may other agent in the economy exchange their old ways, they continue to base their

operation more on expenditure with a consequent accumulation of deficits. In addition, these a clear persistent drop in their operational efficiency for example, the Nigeria railway corporation (NRC) with which in the 1960's was the dominant mode of transport by 1988 it become marginalized institution when accounted for only one percent of the passengers traffic in Nigeria. Most of the public enterprises had also become violated in size and therefore difficult to manage, largely because their objective were now clearly out of a required fundamental adjustment. They operate un wieldy and out modal organization structure and eroded capital structure and therefore have unattractive balance sheet. The only answer to this problem is privatization. Usman (1991 =11-30) also categorize the problem of public enterprises in to two mainly management and financial problems. Some of the management problem includes, inadequate conflicting objectives, poor human resources management which consists of poor recruitment practices, inadequate training poor productivity etc. extreme bureaucracy lack of strategic planning and lack of technical management expertise. On the other hand, financial problem of public enterprises include among other, weak capital structure, in adequate counting and budgetary system lack of inadequate trained administrative staff, poor polices and having poor accountability arising from an audit account.

The combine effect of this entire problem necessitated the transfer P.F this public enterprises to private hands through privatization.

Adegbite (1991:85-94) holds the view the ad justification given by the Nigeria government for it privatization public policies is that there are the need to loosen the dominant of unproductive investment in the public sectors in light of dwelling oil revenue and suffocating external debts, second that privatization will help re-orient public enterprises towards a new horizon of performance improvement visibility and overall efficiency, third, that the privatization will encourage the use alter native to the present complete reliance in the public treasury. Fourth, its claim that privatization are assures positive returned to the public sector investment. Lastly, is hope that privatization would lead to the repatriation of capital by investors who wish to check the equity conversion polices by the federal government.

She argues the government was silent about whether all these goals are of privatization will if reliance, eventually lead to an improvement in the welfare of the members of the society, hence he can only implied that welfare improvement of the overall goal of privatization.

Ajakaiye (1985:965) content that public enterprises are moved avenue for claiming the draining, this is he has found that it just one

year alone, the operating losses of some public enterprises in Nigeria amounted to a whopping N96.44 million, what is more the federal government confirmed the poor financial performance of these enterprises up to (1986) the return was a mere #23 billion pumped into their enterprises up annum, the various commission and study groups set up by different levels of government of the fact that the performance of public enterprises leave much to be desired, therefore the best alternative way is to privatize them. Ojouro (1987:25-26) appears more concern with the lot of managerial inefficiency in the performance of the public enterprises which calls for privatization, for example they discovered that for NEPA. The average collection debt period was between 247 days to 323 days while the debt turn over ration was between 1.72 to 1.3 for the 1980 to 1983. The two indices above are indication of poor credit control and poor account management. In fact Ojowe estimate that 25 to 35 percent of the power generated by NEPA is loss annually, largely because of operating insufficiency and poor control, this had translated to an annual loss N60 to N80 million. Adeyede (1973 = 1-20) sum the whole issue of public enterprises performance in Nigeria he said that performance of Nigeria enterprises has been disappointing for not only there has been low return to capital but at time return has been negative and that low

quality management occasional more political interference than would have been the case.

In summary, from the argument put toward put towards by scholars and writers in favour of privatization, one may conclude that privatization seems to be one of the corrective measures aimed at solving the various problem discussed above in order to resolved back the loss glory of the Nigerian public enterprises. Our next task now is to argue against privatization.

Balmol (1980: 50-10) argue that profitability is not a suitable criterion to Judge the efficiency of public sector enterprises since most of them where not established with the objective in mid. In any case profitability and efficiency do not mean same thing. An enterprises can be profitable without efficient, this point must be bear in mind when interpreting the result of Ayub and Heggsted (1986p-33-11) which shows public owned firm in Chana, India, Pakistan and Zambia have recorded lower profitability than their private sector, counterparts within the same industry the argument here is that the goal of public enterprises is LDCS is not necessarily efficient and hence the use of performance is appropriate.

Berg (1990: 4-5) base his argument on property right issues which he argues in an inappropriate to adequate ownership with condition for

market efficiency or allocated efficiency. In fact many government see like advantages in transferring public sector monopoly to the competition is even more likely to be pronounced in developing countries under developed one given the persistence of excess demand condition.

According to Cook and Kirkpatrick (1988: 4-5) property rights argument is also said to ignore the separation of ownership from management in the typical modern business. Organization According to them, considerable evidence exist that management of private enterprises do not always act in the best interest of their owners.

Vandewalle (1989) Lasser (1991: 4-5) provided counter point to the distribution argument which contents that public enterprises were created in responses to market failures arising from externalities, economic of scale or public goods. The distribution argument intervention is desirable. It is not proven that when that when government fails, the market will do better on the fiscal argument the point had been made that privatization is more likely to produce perverse budgeting implication for government.

As noted by Tassar (199:, 50) the most profitable enterprises are normally the first profit to be sold off. Hence, the lump sum purchase price with government receives will be offset by the loss stream of

future earning which would otherwise have argued to government as owner. Similar conclusion was reached by Mansoor (1928:47) according to him privatization by asset sales may also leads to decline in capital stock that would adversely offset the over all growth rate of the economy and hence a negative impact on government revenue in medium term.

Bret (1988: 47-60) adds a political dimension to the debate, he insist that without adequate intervention market forces are bound to generate in equalities dislocation and exploitation which will have devastating effect on the integrity of the society. As a whole he maintained that any adjustment programme for developing countries must start and end with political elements in the understood as a sub-discipline of political philosophy, he argues that the kind of intervention by the IMF and world bank on purely economic grounds are hopeless inadequate.

Sand brook (1988:40) hold a similar view to Bret (1988:4) he disagree with the exponent of privatization arguing that there emphasis on efficiency of government intervention in economy according to Economic Commission of Africa ECA (1989). Privatization is more enterprises by Multinational; Corporation, a dependency. It submits that the reduction government size mean a reversal of growth process

initiated in the 1980's then bring about structural transformation and economic reconstruction in Africa.

Ayawo et' al (1993) studying the partial private Nigerian Airways concludes that Nigerian Airway reforms and fare increase did not (a) lead to improved efficiency or increase operation capacity, (b) improve its effectiveness, (c) reduce operation losses, (d) increase airlines earnings and hence higher operating cost. This clearly shows that privatization which is essentially aimed at solving the above mentioned problems have failed to do so.

Alcokiotcher (1986) states that arguments that generating fear among the Nigerian society on the implications of privatization is identified as follows:

- A. Given the inequalities and disequilibria in the system. Privatization will lead to concentration of wealth in the hand of the few peoples which is an Anti- thesis to the equalitarian philosophy of Nigerian constitution.
- B. The huge investments in some public companies make it unfair for the government to sell such companies to a few wealth people.
- C. Privatization would aggravate the problem of unemployment as workers in the privatized enterprise are left to their fate without any protection or job security.

- D. By privatization government might lose control of the economic sector of the economy which is the most important.
- E. Given the inadequate accounting records of the parastatals they may never be qualified for quotation the combined effects of the argument mentioned on the Nigeria economy instead of proving certain benefits to the society Bos (1986) argue that the demonstration of public enterprises may not be achieved if the shares of government released into the capital market can only be purchased by a few wealthy individuals or organizations like banks and insurance companies.

In addition, imbibing the private sector culture of profit maximization may not be in the best interest of the government or the consumers if there are other macro economic objectives that the government may wish to attain. Röss (1976:4) holds the view that privatization is aimed at making public enterprises profitable, but most public enterprises have some form of monopoly power in at least some of the markets they supply. So that attempting to maximize profit would result in policies that show counter to government objectives given that with monopoly power profitability may not require efficiency in the use of national resources, there is no doubt through the government that a

government would have no objective to its enterprises recording some operating surplus provided it to the economy.

Government rationale, therefore for the setting up of public enterprises ventures, attracting government involvement include the provision of public utilities, electricity, communication, transportation, budget, basic goods industries (iron and steel), petrochemicals oil and social services, such as: health and education. The sale of social service and welfare agencies, his argued implies that there are of the overwhelming masses of the people have been put in the hands of a few wealthy individuals who usually have profit maximization drive.

Ayodele (1990: 23-28) demonstrate between that for all these enterprises, NEPA, NITEL, NNPC, and NA since government reduces the grants to them their prices have increased 100% to 50% it is therefore convenient to say that as privatization progresses more price, increase are expected. Two points are of interest here, first, when there is no over subscription, there is no maximum limit to the amount of equity shares and individual can hold.

Secondly, there is no discrimination between national and foreigners in the light of the fact that the bank refused to grant loan to small prospective share holders inspire of the government directives to contrary. The implication of the second point to foreign domination of

the commanding heights of the economy (especially the control of banking industries) is also obvious.

In summary all the arguments discussed above have demonstrated some kind of fear as to whether or not privatization will eventually lead to the achievement of desire objectives. Our next task now is to present some empirical evidence on privatization.

2.4 EMPIRICAL EVIDENCE ON PRIVATIZATION

The studies by Landau (1986), government expenditure and growth (P. 83-92) indicate that large government size is detrimental to economic development provided: by growth in real per capital income.

Landau's data covered 65 developing countries of which 24 were covered sub-Saharan African especially they found that 1 percent increase in government expenditure exerted negative impact on growth in developing countries during the period 1960 to 1980.

His results were however based on misspecification of the equation. A similar conclusion was reached by Shor (1984) in his analysis of the impact of public enterprises on a number of micro-economic indicators, he found that overall budget deficits of public sector enterprises were very large in many countries implying that state owned enterprises have been the major causes of micro-economic stabilization problems. The study by Bleano (1992: 15-22) actually produced results in its study if

the reform of state owned enterprises in West Africa Monetary Union (WAMU), it found out that although, rehabilitation, privatization in member countries. The overall financial position of public sector has no improved and number of payment of arrears. The study also highlighted positive impact on privatization in a number of countries pointing out particular enterprises that had been privatized and had started recording profit payment back to the treasury about 2 billion FCFA payment while another pays 116 billion FCFA per month.

Yahaya (1991) report that, the result of the empirical study of the enterprises in Kano Nigeria has indicated that must of the economic and financial or scientifically affected by ownership pattern. However, in spite the complex nature of the evidence, which contradicts the stereotyped view on enterprises in an increasing number of countries especially developing countries including Nigeria are taking measures for scale privatization of public enterprises as part of policy package of tackling the escalating economic crises. The objective of these measures is to shed institutions that area considered inefficient and burden on merger economic resources.

What we have presented above are empirical studies that favour of privatization, what will follow is unfavorable one.

ROBBINSON (1977) showed that larger government size promote economic growth in developing countries by reducing "dependence" in poorer less developed countries, in his economic analysis of technical efficiency in private and public enterprises he concluded that there is no evidence of satisfactory kind to suggest that public enterprises in (LOCS) have a lower technical efficiency than private firm operating at the same scale of operations. Evidence firm industrial countries is equally in conclusive (Millavard and poker, 1983) Pryor (1985) who compare the rates of growth of the OECD (organization for Economic Cooperation and Development Assistance) of Eastern Europe and round no, difference in the respective growth rates between 1950 and 1980.

Nannekamp (1986:21) found a positive correlation between industrialization and government size, though they neither could nor find any growth particularly in the early stage of economic development, ran found positive externally effect of' government size in Burundi, Mauritius, Morocco, Senegal and South Africa over the period (1960 to 1980).

Aylem (1987) that compared South Korea's steel companies with public owned steel company in India found labour productivity to be similar in the two countries. In the same enterprises, he concluded that it is nor ownership so much' in market environment, firm organization

and management incentives which determine the performance of companies after presenting unfavorable evidence, what will follow is the lesson we form empirical evidence. We therefore share the view of Nyong (1995) in which he argues that, privatization is only one technique that could be employed to promote efficiency in state owned enterprises, the commercialization is another available evidence in conclusive as the technical superiority of private enterprises at the same level of operation. In fact the inclusive nature of the evidence provides sufficient grounds not to accept that privatization is the answer.

The second lesson to be drawn is that the main determinant of enterprises efficiency is not whether it is publicly or privately owned but how it is managed. Theoretically, the right kind of incentives can be created in both public and private enterprises that maximize efficiency. The third lesson is already evident the success of privatization has not in the number of the state owned enterprises that are privatized but in the improved resources allocation reflected in higher growth productivity of capital and reduce government deficits. Forth if principal objectives of privatization are to increase economic efficiency, the policy is not to transfer state owned enterprises to something because competition may not lead to efficiency.

Fifth, privatization is unlike to be successful in an economic instability since price loss their ability to transmit signals that improve resources allocation. Capital market has a crucial role in providing transfer of public enterprises to private ownership. This absence or weakness of capital market may not be an impediment to meaningful privatization; government needs to encourage the development of domestic capital markets. Our next task is to discuss in banking industry.

2.5 PRIVATIZATION IN BANKING INDUSTRY

OKUN (1995) was of the view that the history of federal government involvement in equity holding in some banks especially the Ernst-while foreign owned banks dates back to 1972 with the promulgation of the Nigerian enterprises promotion decree of 1977 (as amended) placed banking business under schedule 210 which foreigners were allowed to owned a maximum of 40% equity interest Nigerians were required to hold minimum of 60%.

Armed with this convenient legal instrument and bounded by excess oil money federal in mid 1970's acquired widespread ownership of the foreign owned commercial and merchants' bank, the official concern was that foreign dominated banks were not sympathizes to the development of Nigeria. They were said to be unwilling to lend long term or promote indigenous enterprises. The resultant change in the

ownership status of the hit hero private owned banks brought about changes in the management structure of the organization. Though: the banks basically continue to run purely on commercial basis and continue to postpositive returns a heavy patronage system evolved purveyed by government appointment of board members and top management staff, these power were efficiently employed to further political experience and thus make government presence in the banks may pronounce more importantly it means that element' of the realm in and out of government had unimpeded access to loans able funds for their private bus.

The undue advantage to such element of this ruling class is better appreciated if it understood that the most important bank were those in which the federal government has the largest share holders accounting for about 60% of the "asset of commercial, banks and 45% of that of Merchant banks nation wide. Thus, in consideration of the fact that the Nigerian banking industry had assets worth well over 120 billion.

2.6 BANK PRIVATIZATION IN NIGERIA THE INITIAL POSTURING

By the privatization and commercialization of decree No 25 of 1988, the 1 government was to maintain its share' holding in the fourteen commercial and Merchant banks in which it invested. However, in mid August 1992 through a presidential order the position was

changed and all such banks were to be fully privatized. It was not immediately clear why government suddenly change its mind. Nevertheless the issue of privatization of the banks had become a contention one for obvious reasons. As we noted earlier, the banks had become very important of influence and patronage for the ruling class yet, the special position alone the banks are known to perform three lending function within the economy namely:

The position of transactional service and the corresponding administration of the payment system.

- i. Their role as administrators of the credit decision making process and providers of back up liquidity to the economy.
- iii. And their position as transmitter on monetary policy to the economy.

The inter play of these three functions together justified the consideration of the banks as special institutions in the economy and inform the initial fears expressed within section of the public about their privatization. Some people argued that at a time of recession and general poverty among the citizenry, the only beneficiaries of banks privatization would be those have saving and in the face high interest rate regime, it is almost impossible to borrow an interest long term. The

cumulative effect they maintained would be a worsening of the gap between the haves and have not.

For these in favours of bank privatization the continued the presence of government in a potentially expanding banking sector creates a dichotomy between government banks and privately owned banks and there by undermines competitiveness with in the industry, after all % nearly 130 banks les than 40 are government owned out of which the federal government is the largest share holder in only ten (10), they argued that available statistics shows that such government bank less efficient, more wasteful and less profitable and a change in their ownership will provide the necessary impetus for improved services.

The interference of government through frequent changes in boards and management of banks has been another matter by the public as attempt by government to use the banking sector as a center of patronage instead of important economic institution to which only the best personnel should be recruited at both board and management levels cogent as the above argument were final decision to unavoidable banks may have inherited and integral part of the deregulation policies of the structure policies structural adjustment programme (SAP) started in 1986 today, the Nigerian banking system

has over 130 banking institution with over 2, 300 branches nation wide with asset worth well over # 120 billion. The most important banks are these in which the federal government is the largest share holder and account for about 80% of the asset of commercial banks and 45% of that of merchant bank. To undertake a comprehensive programme of privatization of public enterprises without affecting the banking sector would have rendered the exercise incomplete and less satisfaction both to the Nigerian public and its main investors the IMF and foreign creditors.

The government must continue with regulating the banking system through establishing regulating agencies such as; the CBN, IDIC etc. indeed the world over banking and insurance sectors are known to be the most regular sector of the economy.

2.7 THE RATIONALE FOR BANKING PRIVATIZATION

Odife (1988) holds the view that, the privatization of banks had been a strategic aspect of the overall economic restructuring programme, which started in 1986 where as the federal government banks may have been posting positive returns, their real potentials may have been a greatly undermined' by political interference and the associated problem in the area of poor quality assets insolvency board and management instability etc. privatization was therefore, aimed to

re-orient the banks towards a new horizon of performance improvement viability and overall efficiency. It was also expected to restructure the capital of their banks in order to facilitate good management and independent asst to the market.

It is interested to note however that even before out right privatization, the deregulation policies of the structural adjustment programme (SAP) had already set to banks on a re-orientation streak in its preparatory to bank privatization and commercialization (TCPC) noted that:

- i. The pride lent guidelines introduced in the' sector as with consequent write of loans in banks as cost of operation ha~ considerably improved the quality of the lasting asset of most banks. Many loans and advances. It noted that the standard accounting policies introduced is the bank ensures continuous approach to new handling and there by improved credits administration procedures of the banks. Recovery rates from classified were found to be very high.
- ii. In any banks the need for compliance with capital adequacy requirement of central bank (CBN) had promoted increase of their capital base through issue for subscription.

- iii. The need to dispose of were house shares of former technical partners had made some of the bank to start the process of public floatation.
- iv. Most of the accounts of bank were up to date because of the statutory requirement of publishing their audited account within few months of the end of their financial years.

The observations are very vital as they put to question the significance of ownership as a sure determinant of business performance. They tend to post their performance and could be achieved under proper policy direction irrespective ownership status.

2.8 BANK PRIVATIZATION PROGRAMME: A CURSORY INVESTMENT

All illustrated in table 2.1 were altogether fourteen (14) banks on which the federal government had quality interest.

The ownership structures of banks with federal government participation prior privatization are as follows:

| S/N | COMMERCIAL BANK | FEDERAL GOVT. | STATE GOVT. | OWNER NIGERIA | STRUCTURE FOREIGN | TOTAL |
|------------|------------------------|----------------------|--------------------|----------------------|--------------------------|--------------|
| 1 | Afri Bank Plc | 50 | - | 10 | 40 | 100 |
| 2 | Allied Bank Plc | 51 | - | 09 | 40 | 100 |
| 3 | First Bank of Nig. Plc | 44.8 | - | 17.2 | 38 | 100 |
| 4 | Nig. Arab Bank Ltd | 60 | - | - | 40 | 100 |
| 5 | Int. Bank Plc | 100 | - | - | - | 100 |

| | | | | | | |
|----|----------------------------|------|------|------|------|-----|
| 6 | Savannah Bank of Nig. Plc | 51.3 | - | 18.5 | 30.2 | 100 |
| 7 | Union Bank of Nig. Plc | 51.7 | - | 48.5 | - | 100 |
| 8 | United Bank for Africa Plc | 48.8 | - | 14.2 | 40 | 100 |
| 9 | Continental Merchant Bank | 51 | - | 40 | 09 | 100 |
| 10 | Icon Merchant Bank | 90 | - | 10 | - | 100 |
| 11 | Merchant Bank of Africa | 4.45 | - | 55.5 | 40 | 100 |
| 12 | Int. Merchant Bank | 60 | - | - | 40 | 100 |
| 13 | Nal. Merchant Bank | 47.3 | 10.3 | 16.4 | 20 | 100 |
| 14 | Nig. Merchant Bank. | 60 | - | 40 | - | 100 |

Source: NDIC of eight (8) commercial banks and six (6) merchant banks all of which were given up for total privatization. In the eight (8) commercial banks and five (5) (merchant banks, the federal government had equity interest of at least 45%, while foreigner held between 26% and 40% equity interest in fourteen banks private nig, and corporate bodies held between 9% to 55% equity interest in six commercial banks and five (5) merchant banks.

The Federal Government had highest equity interest of 100% in the FSB International Bank Plc, where the new Nigerian development, company (jointly) owned by the Northern states of Nigeria has equity, no state government owns a portion of this bank, which has been purchased. It is significant to note even though the government has the major shareholders in most of the banks listed above. Both foreign and

private interests have sub-sequential showing indeed as observed earlier, many of leading banks were hitherto foreign private concern structure profit lines. The success story of these banks, have therefore been largely attributed to the strong presence of this private interest (particularly) foreign interest which prevented a complete political run down of the operations and help to keep them above board. This is particularly true if we considered that these of the most trouble organization in Nigeria today are include the Nigerian Airway Ltd, Nigeria today are these in which the government has 100% holding these shipping line ltd, and steel rolling mills in Jos, Katsina and Oshogbo, the Nigeria paper Mills Ltd e.t.c.

CHAPTER THREE

3.0 RESEARCH METHODOLOGY

This chapter is concerned with the procedure and methodology used in the collection of relevant data for the research work. It also contains explanation of the statistical investment used in the study.

It also deals with the origin, structure and economic importance of some common banks, in Sokoto condition of borrowing, loan disbursement, monitoring and supervision of loan facilities.

The term "research design methodology" described all the activities involved in the collection of all the necessary data and information required for the research project.

3.1 RESEARCH DESIGN

In order to conduct a well planned and executed research, a suitable research design was created. A research design is the planned structure and strategy 'of investigation conceived so as to obtain answers.

The plan is scheme of research and contains an outline of what the researcher propose to do. The structure of research is the outline or model of how variables are interacted and strategy of how objectives will be attained and the problem encountered in the research work will be tackled.

3.2 SOURCE AND METHODS OF DATA COLLECTION

Depending on the nature of research study, various sources are available for data collection but it is basically classified into (2) major source of data. These are Primary sources of data Secondary sources of data.

PRIMARY SOURCES OF DATA

This source is from original document remains artifacts, they are the direct outcome of event or records of eyewitness. Data collected from these sources are expressively specified for a purpose and relevant to the study.

SECONDARY SOURCES OF DATA

The secondary source consist of data which have been recorded by some else and they are collected for some other purpose other than the study at hand.

It involved the data collected from published annual reports and accounts of the bank as well as existing documents on budget and other documents such as the budget call forms of banks.

However, both primary and secondary sources of data are used in gathering data but for this research work the secondary sources of data are used which obtained the existing materials that are used on this research work and project.

3.3 METHOD OF DATA ANALYSIS

This tends to show how data are collected from various sources and are presented and analyzed so as to give proper analysis of data collected.

Data collected for research purpose can be analyzed into two;

- By Description Analysis
- By the use of statistical Analysis

DESCRIPTION ANALYSIS

This involves the use of percentages and collected data are descriptively analyzed based on the result.

STATISTICAL ANALYSIS

This analysis involved the use of statistical model used goodness to full the interest of distribution according to our theoretical model.

CHAPTER FOUR

4.0 DATA PRESENTATION AND ANALYSIS

4.1 INTRODUCTION

This chapter is based on data derived from the employees of the banking industry in Sokoto state who completed and returned the questionnaires served on them.

A total number of seventeen questionnaires were administered some of them to which questionnaires were administered included United Bank for Africa Plc. Five (5) questionnaires, Unity Bank six (6) questionnaire first Bank of Nigeria Plc six (6) questionnaires and U.B.A six questionnaires.

However, it is important to note that some of the questionnaires served on these banks not returned. The questions asked were structured, that is questions with fixed alternatives, and this method was adopted in order to enhance quick administration of the questionnaires and also to avoid problem of non-response, which is always associated with non-structured questions.

4.2 ANALYSIS OF RESPONSES TO THE RESEARCH QUESTIONS

Based on the question one of the questionnaire, table 3.1 different levels of educational background of respondents.

Table 3.1 Educational of the respondents

| S/NO | EDUCATIONAL LEVEL | NO OF RESPONDENTS | PERCENTAGE |
|-------------|--------------------------|--------------------------|-------------------|
| 1 | Degree/HND | 9 | 26% |
| 2 | OND/NCE | 14 | 40% |
| 3 | SSCE/Grade II | 3 | 8% |
| 4 | Primary Certificate | 2 | 6% |
| 5 | Non-Formal Certificate | - | -% |
| 6 | Higher Degree | 7 | 20% |
| | TOTAL | 35 | 100% |

Source: Questionnaire administered

The essence of the above question was to have idea on the quality of the staff of the banking industry in Sokoto with respect to their educational background.

The total shows that 40% of the employees have at least ordinary National Diploma and Nigeria Certificate" in Education and only about 26% had first degree or Higher National diploma, 20% had higher degree and about 8% had general Certificate of Education or senior secondary school Certificate of education or grade II while primary certificate holders were only 6% no response from those with non-formal Certificate on the question of the length of service of the employees

Table 3.2

| S/NO | YEARS | NO OF RESPONDENTS | PERCENTAGE % |
|-------------|------------------|--------------------------|---------------------|
| 1 | Less than 1 year | 5 | 14% |
| 2 | 1-5 years | 7 | 20% |
| 3 | 6-10 years | 14 | 40% |
| 4 | Above 10 years | 9 | 29% |
| | TOTAL | 35 | 100% |

Source: Questionnaire administered.

This question was asked in order to provide the research with the knowledge of the years of experience of the knowledge of the employees. This information will enable the researcher to determine the extent of which data supplied can be relied upon.

It is clear from the above table that, majority of the respondents has more than six (6) years experience. It seems reasonable to regard their responses to the "questionnaire as informed opinion, implying some level of stability in the workforce.

Table 3.3 Whether you were employed before or not

| S/NO | RESPONSES | NO OF RESPONDENTS | PERCENTAGE % |
|-------------|------------------|--------------------------|---------------------|
| 1 | Yes | 14 | 40 |
| 2 | No | 21 | 60 |
| | TOTAL | 35 | 100% |

Source: Questionnaire administered

In response to the question three (3) 14 or 40% respondents said that their present employment is their employment while 21 representing 60% of them indicated that, they have had previous employment.

Table 3.4

| S/NO | RESPONSES | NO OF RESPONDENTS | PERCENTAGE % |
|-------------|------------------|--------------------------|---------------------|
| 1 | Yes | 14 | 40% |
| 2 | No | 21 | 60% |
| | TOTAL | 35 | 100% |

Source: questionnaire administered

In response to 4 on the questionnaire as mentioned in table above 22 or 63% of the respondent agreed that the modalities adopted by the technical committee on privatization ensure viability of the banking industries, on the other hand 13 respondents through representing 37% out of the 35 respondents through other wise.

Table 3.5 Effect of privatization on this organization

| S/NO | RESPONSES | NO OF RESPONDENTS | PERCENTAGE % |
|-------------|------------------|--------------------------|---------------------|
| 1 | Yes | 14 | 40 |
| 2 | No | 21 | 60 |
| | TOTAL | 35 | 100% |

Source: questionnaire administered

In responses to question five in questionnaire as seen above in the table, 20 respondents or 57% were of the that privatization affect a the banking organization, while 15 respondents of the 47% were against the program or against it.

Table 3.6 view on privatization program

| S/NO | RESPONSES | NO OF RESPONDENTS | PERCENTAGE % |
|-------------|------------------|--------------------------|---------------------|
| 1 | Yes | 29 | 83% |
| 2 | No | 06 | 13% |
| | TOTAL | 35 | 100% |

Source: questionnaire administered

In the responses to this question six in the questionnaire as seen in the table above, 29 or 83% of the respondents were of the view that privatization program was successful, while 6 respondents or 17% believed that it was not successful.

Table 3.7 The effect of the program on industry turns over

| S/NO | RESPONSES | NO OF RESPONDENTS | PERCENTAGE % |
|-------------|------------------|--------------------------|---------------------|
| 1 | Yes | 27 | 77 |
| 2 | No | 8 | 23 |
| | TOTAL | 35 | 100% |

Source: questionnaire administered

Table 3.7 shows that 27 or 77% of the total respondents agreed that the turns over can be affected while 8 respondents or 23% through other wise.

Table 3.8 How the organization is affected

| S/NO | RESPONSES | NO OF RESPONDENTS | PERCENTAGE % |
|-------------|------------------|--------------------------|---------------------|
| 1 | Yes | 77 | 77% |
| 2 | No | 23 | 23% |
| | TOTAL | 35 | 100% |

Source: Questionnaire administered

The banking organization, while 15 respondents of the 47% were against the program or against it.

Table 3.6 View on privatization program

| S/NO | RESPONSES | NO OF RESPONDENTS | PERCENTAGE % |
|-------------|------------------|--------------------------|---------------------|
| 1 | Yes | 27 | 77% |
| 2 | No | 8 | 23% |
| | TOTAL | 35 | 100% |

Source: Questionnaire administered

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| S/NO | RESPONSES | NO OF RESPONDENTS | PERCENTAGE % |
|-------------|------------------|--------------------------|---------------------|
| 1 | Yes | 27 | 77% |
| 2 | No | 8 | 23% |
| | TOTAL | 35 | 100% |

Source: Questionnaire administered

Respondents were asked how privatization program would affect the industry. Majority of the respondent's i.e 31 respondents of 89% said that the industry turn over will be affected positively, while 4 respondents or 11/0 were of' the 'view that it will be affected negatively.

Table 3.9 How the program affect the workforce?

| S/NO | RESPONSES | NO OF RESPONDENTS | PERCENTAGE % |
|-------------|------------------|--------------------------|---------------------|
| 1 | Yes | 21 | 60% |
| 2 | No | 14 | 40% |
| | TOTAL | 35 | 100% |

Source: Questionnaire administered

The table above shows that 21 'or 600/0 of the respondents said that the privatization program could affect the workforce positively, while 14 of the respondents or 40% were of the view that the program will affect the workforce negatively.

Table 3.10 Whether change of ownership affect the efficiency of the organization.

| S/NO | RESPONSES | NO OF RESPONDENTS | PERCENTAGE % |
|-------------|------------------|--------------------------|---------------------|
| 1 | Yes | 29 | 83% |
| 2 | No | 06 | 17% |
| | TOTAL | 35 | 100% |

Source: Questionnaire administered

In responses to the question number 10 which asked whether the change of owner as a cause of privatization, whether it will affect the efficiency of the banking industry or not. 29 or 83% of the respondents view that it can be affected, while 6 or 17% of the respondents recorded against it.

Table 3.11 Whether or not this program improves the quantity of goods and services

| S/NO | Responses | NO OF RESPONDENTS | PERCENTAGE % |
|-------------|------------------|--------------------------|---------------------|
| 1 | Yes | 30 | 86% |
| 2 | No | 05 | 14% |
| | TOTAL | 35 | 100% |

Source: Questionnaire administered

30 or 86% of the respondents believed that the quantity of goods and services would be improves as a result of privatization, while only 5 or 14% of the respondents indicated negatively view.

Table 3.12 Level of performance of industry prior to the privatization program

| S/NO | RESPONSES | NO OF RESPONDENTS | PERCENTAGE % |
|-------------|------------------|--------------------------|---------------------|
| 1 | Good | 6 | 17% |
| 2 | Moderate | 29 | 83% |

| | | | |
|---|--------------|-----------|-------------|
| 3 | Bad | - | -% |
| | TOTAL | 35 | 100% |

Source: Questionnaire administered

Table 3.12 shows that 6 respondents (17%) indicated that performance of the industry before privatization was good while 29 or 83% of the respondents said that it was moderate before privatization. No respondent indicated that the performance was bad.

Table 3.13: Privatization programme

| S/NO | Responses | NO OF RESPONDENTS | PERCENTAGE % |
|-------------|------------------|--------------------------|---------------------|
| 1 | Excellent | 10 | 29% |
| 2 | Good | 25 | 71% |
| 3 | Fair | - | - |
| | TOTAL | 35 | 100% |

Source: Questionnaire administered.

10 or 29% respondents agreed that the performance of the banks during privatization was excellent, while 25 or 71 % were of the view that it was good. No respondent said it was fair.

Table 3.14: Respondent support of the privatization programme

| S/NO | RESPONSES | NO OF RESPONDENTS | PERCENTAGE % |
|-------------|------------------|--------------------------|---------------------|
| 1 | Yes | 35 | 100% |

| | | | |
|---|--------------|-----------|-------------|
| 2 | No | - | -% |
| | TOTAL | 35 | 100% |

Source: Questionnaire administered

Table 3.14 shows that all the respondents were in support of the privatization programme.

Table 3.15: Respondents reason for supporting the' programme

| S/NO | RESPONSES | NO OF RESPONDENTS | PERCENTAGE % |
|-------------|---|--------------------------|---------------------|
| 1 | It increase quality of good and services | 15 | 43% |
| 2 | It uplift the leaving standard of the society | 5 | 14% |
| 3 | It create investment opportunity | 12 | 34% |
| 4 | All of the above | 3 | 9% |
| | TOTAL | 35 | 100% |

Source: Questionnaire administered ~

Table 3.15 shows that 15 respondents 43% gave the reason that with the implementation of privatization programme the quality of the good and services will increase, while 5 or 14% of the respondents agreed that it can raise the leaving standard of the people. 12 or 34% of the respondents said that it create investment opportunity, 3 or 9% of

the respondents said that privatizing industries will bring all above benefits mentioned in the table to the organization.

Table 3.16: On whether the programme favors foreign investment

| S/NO | RESPONSES | NO OF RESPONDENTS | PERCENTAGE % |
|-------------|------------------|--------------------------|---------------------|
| 1 | Yes | 30 | 86% |
| 2 | No | 05 | 14% |
| | TOTAL | 35 | 100% |

Source: Questionnaire administered

One of the most important factors of the privatization is to encourage foreign investors to invest in an economy and best ways to privatize, thus, the table above shows that 30 or 86% of the respondents were of the view that the privatization programme favor foreign investment while 5 or 14% of the respondents did not agreed that if favor foreign investment.

CHAPTER FIVE

5.0 SUMMARY, CONCLUSION AND RECOMMENDATION

5.1 SUMMARY

This chapter sums up work done during the research work presenting briefly the finding of the research. Best on the findings the chapter presents a general conclusion and recommendation. This thesis has concern it self with finding out the impact of privatization in the bank industry with respect to the economic performance. This is to find out it change toward ownership, especially when associated with increase product market completion lead to improve performance. The union Bank of Nigeria Plc was selected and used as case study.

The research respect itself has first chapter generally introduce one to the work, with the sate of the petroleum, objective of the study, significance of the study, scope and limitation of the study, research hypothesis, and methodology of the study and historical background of the Union Bank Plc. In chapter two, the literature on the subject matter are reviewed by critically presenting and analyzing the work, done by others on privatization generally and on banking specifically.

In chapter three, the primary data collected during the research were analyzed. Many data were analyzed based on the research

questions. The last chapter four contains the summary, conclusion and recommendation.

5.2 CONCLUSION

Based on the available data and findings of this study, the important of privatization programme in the banking industry can not be underestimated. All banking industry welcome privatization programme because the programme not only increase in turn over of the industry, but it also improve the quality of good and service. The conception that privatization programme brings about exorbitant pricing replacement of public monopoly with private monopoly should be discarded. Implementation of privatization programme have noted to be very vital not only the ,equity holders Who are more in maximizing profit but also to customers who enjoyed good services. From the findings it has been observed that Union Bank was more on declining streak prior to privatization and that since privatization no major reorganization have taken place to justify the status changed for the fact that the decline, confirm privatization as positive under taken. Like any other public policy, privatization programme should be used only when it can contribute economically and effectively to attainment of industrial goals.

5.3 RECOMMENDATION

The recommendation will be based on the findings of the research, regard to impact of privatization on the Nigerian banking with Union Bank of Nigeria Plc Sokoto, as the case study the recommendation are as follows:-

- * It is recommended that for sound and effective viability of the banking industry the modalities adopted by the technical committee on privatization should be based on the economy.
- * Considered the development level of the nation times of socialization, population, size, literacy and geographical factor, it is advisable that adequate publicity both in the input and electronic media to create adequate awareness and acceptability. If properly understood, privatization would have the desired achievement required.

It is recommended that through privatization enhances the quality of goods and services there is the need for training and development of both staffs and managers so as to cope.

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1.1 HISTORICAL BACKGROUND OF THE STUDY

The cement company of northern Nigeria, which is the one of the early cement industries in Nigeria, it was third to be established dates back to 1958 trace of limestone were discovered in Kalambaina. This discovery by the federal ministry of mines and power aroused the interest of the Northwestern state government. This led to negotiation between some northern states government namely the Sokoto State Government. The Kaduna state government, Kano state government and the federal government on modalities for the establishment of cement company in Sokoto. The cement was then incorporated on 1st of July. 1962. The foundation stone was laid in 1964 by late Sardauna of Sokoto a premier of the former northern region, AlhajiAhmadu Bello and the cement plant was commissioned in 1965.

However, after seven months operation in June 1966, the super structure above the raw mill including the electrostatic precipitator bought from Germany collapse. This coupled with management problems, forced the company to close down. The company was reopened in 1967.

The Sokoto perturb cement process using calcium carbonate (Caco₃) as the principal raw material. There are many types of Process, the choice of, which depend to a large extent on the nature of the raw

materials valuable. The plant was originally designed to produce process. The process was change to dry method during the early 70s. In 1997, the company secured a loan of 3.5 million for the expression of the company, which was how ever not possible.

In any case the plant was later expanded and the install capacity increased to 600,000 tons in April, 1985 by the then head of state, Major general Mohammed Buhari and Commercial operation commenced in 1986. The Sokoto state company is located at Kalambaina on the out sketch of the state capital. This location was determined by the abundant availability and proximity of limestone, deposit, which is the major raw material in the production of Portland cement. The quality and quantity of lime stone deposit in the process is so high that production even at full capacity could continue for quite a long time.