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Managing the Challenges of Public Enterprises in Nigeria: Commercialization and Privatization Option

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ABSTRACT **Original Research Article**

The main objective of this study is to examine the managing the challenges of public enterprises in Nigeria: Commercialization and privatization option. The specific objectives of the study were to examine the challenges of public enterprises in Nigeria, the advantages of commercialization and privatization in managing the problems of public enterprises in Nigeria, the problems of commercialization and privatization in Nigeria and the way forward. The study is built on Efficiency theory and Public choice theory. The methodology employed in the study was documentary. Qualitative data were collected from academic journals, newspaper, textbooks, Bureau of Public Enterprises Bulletin, among others. Content analysis was used to analyze data. Findings revealed that the major challenges facing public enterprises include political interference, political instability, high level of corruption and financial mismanagement, poor funding, over-reliance on government subvention and subsidies, poor attitude towards work, among others. It was also shown that commercialization and privatization are the best way of managing the problems of public enterprises in Nigeria as they improve the efficiency of the enterprises. However, the success of commercialization and privatization in Nigeria is marred by some problems which include uncooperative attitude of some government officials, weak market alternatives, poor funding, inadequate of regulatory framework, opposition to privatization, lack of transparency, and insincerity of policy, among others. Based on findings and conclusion, the study recommended that the government should not relent in the use of privatization and commercialization. However, the public choice theory should be adopted in terms of the exercise. Government should retain ownership and control of sectors that provide public goods or that are strategic to the economy (Security, power, health, railway, education, among others). Some of these sectors should be commercialized while sectors that provide private goods should be privatized. In order to solve the promote transparency in the planning and implementation of privatization and commercialization of public enterprises, adequate research or study should be undertaken to examine the operations, function and the success of policy of privatization and commercialization and that the government should ensure proper monitoring and supervision of privatization and commercialization program.

Keywords: Corruption, Efficiency, Financial Mismanagement, Government Subvention, Public Goods, Subsidies, Transparency.

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Introduction

Background to the Study

The origin of participation of Nigerian Government in businesses can be traced to the era of the colonial and post-colonial. During the colonial rule and after independence in 1960, it dawned on the government that it needed to involve in business due to the shortage of experience indigenous entrepreneurs in the country as at that time and also to reduce the dominance of foreign entrepreneurs in Nigeria economy (Ake, 2021).

The implication of public enterprises is that the government undertakes the roles of an entrepreneur in the economy through the investment of public resources into businesses for social and economic reasons (Okeke *et al.*, 2016). However, evidence has revealed that the performance of public enterprises in terms of efficient utilization of resources over the years has not been impressive (Nwachukwu, 2021).

In the 60s, the public enterprises were the back bone of the Nigeria economy. The performance of public enterprises in the 70s, and 80s and the early part of 90s was impressive. However, their performance after these periods in both developed and developing economies has been largely poor and unsatisfactory (Obadan, 2020).

Many governmental enterprises have failed severely to satisfy the expectation of the Nigerians. The failure of such public organizations as Nigeria Airways, NITEL, National Electric Power Authority (NEPA), Nigeria Railroads, Nigeria Airways, According to Okeke, et al., (2016) a large percentage of state owned firms in most states in Nigeria have been liquidated because of huge operating losses and those still in existence rely largely on government subventions and subsidies.

In order to manage the challenges faced by the public enterprises in Nigeria, the government has implemented commercialization and privatization. Commercialization involves running a public enterprise in a profit making. The major aims of commercialization is to achieve high efficiency and enhance the generation of revenue that cover at least cost of production by the public enterprises, thereby relieving the financial burden of the government and allowing the government to have adequate funds needed for the provision of social amenities without a change of ownership (Adegbite, 2022).

Privatization refers to the process of transferring the ownership and control of enterprises from the government to the private sector (Jerome, 2021). The primary objective of privatization is to improve the efficiency and effectiveness of privatized enterprises and enhance their capacity to contribute to the standard of living of citizens (Ayodele, 2022). However, the success of commercialization and privatization in addressing the challenges of public enterprises in Nigeria has been mixed. While some sectors have recorded considerable improvements, others have experienced poor outcomes. Furthermore, the processes of commercialization and privatization have been affected by several challenges.

Against this background, this paper examines the management of challenges confronting public enterprises in Nigeria through privatization and commercialization options. Specifically, the study examines the challenges facing public enterprises in Nigeria, the problems associated with privatization and commercialization, and possible ways of addressing these challenges. The remainder of the paper is organized as follows: Section Two presents the methodology of the study, Section Three contains the literature review, Section Four presents the discussion of findings, while Section Five provides the conclusion and recommendations.

Statement of the Problem

Public firms in Nigeria had several obstacles which resulted in their low performance. Challenges facing the public corporations in Nigeria have been connected to the failure of the defunct public companies like National Electric Power Authority (NEPA) and Nigerian Telecommunication (NITEL) and Nigeria Railroad. The poor performance coupled with the pressure from the International Monetary Fund on developing countries such as Nigeria to fully implement structural adjustment program resulted in major deregulation or privatization and commercialization of public companies in Nigeria. But there are government enterprises in Nigeria such as Nigeria Railroad Corporation, Ajaokuta Iron and Steel Company, Nigeria National Petroluem Corporation etc that are yet to be privatized and commercialized either partially or fully but that still experience serious challenges similar to the former public enterprises such as NEPA and NITEL. The problem that stimulated this study is that public organizations are faced with several obstacles that have a considerable impact on their performance. The study is interested in understanding these problems and the consideration of privatization and commercialization in addressing them. Several obstacles also pose barriers to the efficiency of the privatization and commercialization programs in Nigeria. This study aims at exploring these difficulties and providing answers to them.

Objectives of the Study

The main objective of this study is to examine the problems of public enterprises in Nigeria: Commercialization and privatization option. The specific objectives of the study are to:

- (i) Examine the challenges public enterprises face in Nigeria.
- (ii) Determine the benefits of commercialization and privatization of public enterprises in managing the problems of public enterprises.
- (iii) Examine the problems of commercialization and privatization of public enterprises in Nigeria.
- (iv) Determine the way forward.

Literature Review

Conceptual Review

Public Enterprises

The concept of public enterprises has been defined in different ways by various scholars (Nkwede, 2014). The existence of multiple definitions is associated with the fact that public enterprises were established at different periods, with each period producing enterprises that reflected its prevailing circumstances. Consequently, differences in definition are influenced by the ideologies, interests, values, dispositions, and conditions surrounding their establishment (Adeyemo & Salami, 2018). In Nigeria, public enterprises generally refer to business organizations other than ministerial departments, established through special statutory instruments to undertake commercial activities and provide goods and services for the social and economic benefit of citizens. They include corporations, authorities, boards, companies, and other businesses owned and controlled by government. This study adopts the World Bank (2000) definition, which describes public enterprises as government-owned or controlled commercial bodies that generate all or most of their revenue from the sale of goods and services. Thus, a public enterprise is an organization established as a corporate body and incorporated into the governmental structure to pursue entrepreneurial or similar objectives (Ademolekun, 2012).

The poor performance of public enterprises has generated continuous debates and policy recommendations on how to address their persistent challenges. In response, the democratic administration under President Olusegun Obasanjo introduced extensive reforms across various sectors of the Nigerian economy, particularly in areas where public enterprises had failed to meet public expectations or were perceived to consume substantial public resources without adequately performing their assigned responsibilities. These enterprises were also characterized by inefficiency, significant financial losses, and heavy dependence on foreign loans obtained by the government (Oluade, 2017). The declining performance of public enterprises and their failure to achieve the objectives for which they were established prompted President Obasanjo's remarks during the inauguration of the National Council on Privatization on July 20, 1999. He noted that successive Nigerian governments had invested approximately 800 billion naira in public enterprises, while the annual returns from such investments were less than ten percent. In some cases, operational inefficiencies resulted in substantial losses that were ultimately borne by the public treasury (Omoleke, Salawu & Hassan, 2021).

Rationale for Public Enterprises

Three major reasons have been put forward for the establishment of public enterprises according to Ezeani (2016) and Adamolekun (2012). The rationales are as follows:

(1) The scarcity or in other instances nonexistence of local private sector capable of providing particular infrastructural facilities, especially, in services requiring huge capital, for example, electricity, ports and harbor, airways etc.

(2) To allow the state pursue social equity which is ignored by the market, thereby not permitting wealth or factors of production to be concentrated in the hands of few individuals or groups.

(3) To allow the government to control some sectors that are strategic to the economic. Such strategic sectors include central banking, broadcasting, army, airways, shipping, among others.

Moreover, Ugorji (2021) states that public enterprises public enterprises are also created for political reasons. He went further that most government enterprises are means of providing employments.

Privatization and Commercialization

The concepts of privatization and commercialization are sometimes used interchangeably by scholars, although they have different meanings. According to Ayodele (2022), privatization is the process through which the ownership and control of government enterprises are transferred to private individuals or companies. It involves transferring ownership rights of public enterprises to the private sector and may also include the sale of government-owned assets and opening specific markets to private participation.

According to the Privatization and Commercialization Act of 1988 and the Bureau of Public Enterprises Act of 1993, privatization involves relinquishing part or all of the equity and other interests held by the Federal Government or any of its agencies in enterprises that are wholly or partially owned by the government. This definition indicates that privatization may be full or partial. Partial privatization may take the form of equity dilution, joint ventures, management contracts, or leases, while full privatization involves the complete transfer of ownership and control of state-owned enterprises to the private sector.

Commercialization, on the other hand, refers to the process of operating a public enterprise on a profit-making basis. It involves requiring public enterprises to generate revenue and profits from services or activities that were previously provided free of charge or at subsidized prices to the public. Commercialization can also be viewed as the efficient management of government enterprises with the primary objective of generating profit. Section 14 of the 1999 Privatization and Commercialization Act describes commercialization as the restructuring of enterprises wholly or partially owned by the Federal Government, whereby commercialized enterprises are expected to operate as profit-making entities without depending on government subventions. Such enterprises may, however, remain subject to government control regarding the fixing of rates, prices, and charges for goods and services provided (Obadan, 2020).

Unlike privatized enterprises, commercialization allows the government to retain ownership and financial interest in the enterprise (Oji *et al.*, 2014). However, the Technical Committee on Privatization and Commercialization (TCPC), now known as the Bureau of Public Enterprises (BPE), is responsible for ensuring that appropriate checks and balances are established to minimize government interference and promote optimal managerial performance. Commercialized enterprises are also expected to become financially self-sufficient, thereby reducing the financial burden on government and increasing its capacity to finance capital expenditure (Emeh, 2021).

Privatization and Commercialization of public Enterprises in Nigeria

Most countries around the world have implemented privatization programmes at different periods. Privatization was introduced in Chile in 1974, while the United Kingdom embarked on extensive privatization in 1980 during the administration of Margaret Thatcher. The major reasons for privatization in the United Kingdom were to reduce government expenditure and promote efficiency and competition. Former Eastern Bloc countries such as Russia, Romania, and Czechoslovakia also implemented privatization programmes during the 1990s.

The actual implementation of commercialization and privatization in Nigeria commenced in 1988 with the inauguration of the Technical Committee on Privatization and Commercialization, established under Decree No. 25 of 1988. The programme initially involved the commercialization of enterprises such as the Nigeria Railway Corporation (NRC), National Electric Power Authority (NEPA), Nigerian Telecommunications Limited (NITEL), postal services, and the Nigerian Ports Authority, where the Bureau of Public Enterprises (BPE) adopted concessions rather than complete privatization. Concessions involved allowing selected private companies to operate ports for periods of five to ten years, with some degree of operational and ownership rights. The Nigerian privatization programme therefore began largely through the commercialization of public enterprises because it was less burdensome and easier to implement. It involved separating enterprises from government ministries and departments and making them operate as cost-accountability centres similar to private-sector organizations.

Subsequently, several enterprises, including Ikoyi Hotel, Federal Palace Hotel, African Petroleum, National Oil, and Unipetrol, were privatized. Other privatized enterprises included Aluminum Smelter Company Plc, Anambra Motor Manufacturing Company Ltd, Peugeot Automobile of Nigeria Ltd, Nigeria Airways, National Fertilizer Company of Nigeria, Jos Steel Rolling Company Ltd, Oshogbo Steel Rolling Company Ltd, Katsina Steel Rolling Company Ltd, and Calabar Cement Company Ltd (Stephen, Omokhudu, & Anthony, 2016).

It is also important to note that the Public Enterprises Act of 1999 empowered the Bureau of Public Enterprises (BPE) to take over the functions of the Technical Committee on Privatization and Commercialization (TCPC), which had originally served as the coordinating and implementing body for the privatization reforms. The Act also provided for the establishment of the National Council on Privatization (NCP). The NCP serves as the principal policy-making body responsible for overseeing privatization and commercialization activities in Nigeria.

Evidence revealed that between 1975 and 1999, about $200 billion was spent on public enterprises, and the financing of these enterprises became a significant drain on government resources (Jerome, 2018). President Obasanjo stated that Nigeria lost approximately USD800 million due to erratic power supply by NEPA and another USD 4,000 million through inefficiency. This indicates that many of the public enterprises that were later privatized were operating inefficiently. For instance, the Delta Steel Company Plc. was closed in 1995 before being privatized in 2005, while the Ajaokuta Steel Company Ltd and National Iron Ore Mining Company Ltd remained incomplete, and the Aluminum Smelter Company Plc. was shut down.

More importantly, reforms in the power sector appeared to raise concerns about whether privatization was primarily serving public interests. For instance, about $10 billion was invested in PHCN during the Obasanjo administration, yet the proceeds from its sale were reportedly insufficient to settle accumulated arrears and benefits owed to former staff, let alone the creditors of the former NEPA. Similarly, the $500 million paid by Transcorp for 51% of NITEL shares was insufficient to cover staff benefits. These developments suggest that privatization in some sectors became an avenue for benefiting a limited group of elites, improving the welfare of particular interests, promoting employee ownership, and restoring ownership rights to previous owners of properties confiscated by former regimes. Evidence indicates that from 1999 to date, many of the objectives of privatization exercises in Nigeria have not been fully achieved due to factors such as debt overhang, pension liabilities, tax liabilities, unpaid staff salaries, unfavourable economic conditions, and corruption (Adegbite, 2022).

It remains uncertain whether the companies that took over the generation, distribution, and transmission functions of PHCN would perform according to public expectations. A critical assessment of electricity charges under the Power Holding Company reveals that consumers have continued to pay relatively high electricity tariffs without corresponding improvements in the reliability and quality of electricity supply over the years (Stephen, Omokhudu, & Anthony, 2016).

Theoretical Review

Economic Theories

Efficiency is associated with commercialization and privatization strategy in Nigeria. The government contended that commercialization and privatization were instruments for attaining efficiency in resource allocation and administration. The programs are ways of minimizing the level of corruption and also boosting the public sector of the economy. This leads to poverty reduction, increased quality of life and better utilization of resources.

Economic efficiency is the use of resources in a way that maximizes the production of products and services through. An economic system is more efficient than another if it can create the same output of goods and services with less resources, or if it can produce more goods and services with the same number of resources. The primary motive of commercialization in Nigeria is its capacity to achieve efficient allocation of resources. It argues that public ownership frequently leads to the pursuit of objectives that are not in accord with the commercial interests of government. The non-commercial aims sought by state businesses include, but not limited to, employment maximization and uneconomic investment choices. Furthermore, the commercialized enterprise is kept alive by the fact that it is alive; if it ceases to be alive it ceases to exist. This is because the market will reallocate their resources to other purposes (Adegbite, 2020).

The economic theory says that commercialization attracts foreign investment into the economy and also incorporates the sector in the globalization process. \item It encourages competition and competition, amongst other things, promotes the quality, pricing, choice and satisfaction of goods and services in an economy. So competition is a good driver of efficiency in an economy. Economic efficiency is one of the benefits of economic liberalization promoted to the Nigerian government by the IMF and World Bank. However, it must be highlighted that to get the much needed efficiency in the economy for commercialization, transparency and dedication in leadership is vital (Adegbite, 2020).

Another theory that discusses motivations for privatization and commercialization is laisse-fair theory. Privatization enhances the economy to profit from the market system and competition via efficient service delivery. The premise goes that However, the predisposition of human beings to behave irrationally at times or to do what is best for them might undermine the primary goal of privatization (efficiency), so rendering everybody worse off (Adegbite, 2020).

The minimum regulation and complete removal of government control helps in boosting the efficiency and effectiveness of markets and economic development as in the case of liberalization theory also. Thus the aim of economic liberalization is to get the higher efficiency and effectiveness required to shift the economy to a higher economic level. Liberalization has been defined as removal of government control of economy to promote economic development. Economic liberalization in developing nations is linked to the wider opening up of their individual economy to international capital and investment and the removal of all monopoly tendencies which include public companies (Umo, 2022).

Public Choice Theory

Public Choice Theory is also referred to as Social Choice Theory or Rational Choice Theory. The theory explains human and governmental behaviour and provides standards for understanding government actions. It generally applies the principles of neoclassical economics to political behaviour. Its main assumption is that political actors, like economic actors, are expected to act rationally by seeking to maximize benefits while minimizing costs (Michael *et al.*, 2020).

Public Choice Theory argues that whether goods and services should be produced by the public or private sector depends on the nature of the goods and services involved. It seeks to understand non-economic activities through the concepts and analytical tools of economics (Olaopa, 2022). The theory further maintains that the private sector should produce private goods, while the public sector should provide public goods. However, like many developing economies, the Nigerian government has increasingly moved beyond the provision of public goods into activities better suited to the private sector. This has contributed to the poor performance of some public enterprises and increased the financial burden on government through continued support for inefficient enterprises that consistently record losses (Ugorji, 2020).

The continuous financing of government budget deficits through external sources therefore created the need for a more rational approach to resource allocation. Based partly on the recommendations of foreign creditors, privatization and commercialization emerged as feasible options for restructuring the Nigerian economy. The general argument of Public Choice theorists is that institutions should be designed to control harmful utility-maximizing behaviour that serves the interests of particular individuals at the expense of society as a whole.

Benefits of Privatization and Commercialization in Nigeria

Omoyibo (2021) enumerated the advantages derived from privatization process. He observed that privatization created greater incentives for investment, increase shareholdings in the economy and boost the stock market.

The savings from surplus budget was used to subsidize the operations of public enterprises. This resource could have been used to develop the economy. Privatization of the shareholdings of companies make sure that they were more resourcefully run and managed, since new shareholders will have boards and management that will be answerable to them.

The consequence of privatization is increase in profits which is the main objective of private business enterprises. The sale of government equity shares would bring substantial sums of money into the government. The privatization of previous inefficient enterprises will result in the revival of these businesses, their success and ability to make profit (Adeggite, 2020).

Increase in Government Revenue: Increase in the profits of the privatized enterprises results in an increase in revenue from taxation (direct taxes), especially when the companies income or profits are properly assessed and the taxes collected promptly (Ugorji, 2021).

Those that support privatization are of the view that the privatization of an inefficient enterprise results in the revival of such enterprises and reabsorption of qualified employees that were relieved of their jobs. As the business expands, more employment is made.

With privatization, monitoring of the activities of the management of enterprises by the private owners will be done very closely. These helps in minimizing the financial malpractices that were observed before privatization and helps in exposing offenders of financial malpractice and taking corrective measures are promptly (Emeh, 2021).

Financial Relief for the Government: Due to privatization, the government is relieved of the substantial financial burden associated with the large and regular subventions government had been utilizing to sustain the unprofitable public enterprises. The relief will make a responsible government to focus on the provision of social amenities which generates higher social benefits (Adegbite, 2020).

Another advantage is that privatized companies tend to be more productive following privatization than in government-run industries. This declaration includes several considerations. On the other hand, private owners that want to thrive will probably hire skilled professionals to manage their company. Professionals are given the freedom to arrange enterprises in a more effective way, technically and economically (Adegbite, 2020).

Moreover, the employees of the privatized enterprises are more dedicated to the achievement of the goals and objectives of the organization. This is because the private enterprises were usually ill disposed to accommodate indolent behaviour patterns (Ezeani, 2016).

Another advantage of privatization is that the privatized enterprise may be able to produce goods and services that were not possible before. This is a s result of the fact that they are now aware of competitors that which can displace them with superior products. Also, the monopoly power formerly enjoyed by the defunct public enterprises is likely to be withdrawn (Oluade, 2017).

Problems Facing Public Enterprises

Available evidence indicates that the performance of public enterprises across the three levels of government in Nigeria has generally been poor, thereby affecting the development of the country. The poor performance of public enterprises such as the former National Electric Power Authority (NEPA) and Nigerian Telecommunications Limited (NITEL) is particularly evident. Most public enterprises in Nigeria operate in business environments that differ from those of private-sector organizations engaged in similar activities. Such environments may be competitive or monopolistic. For instance, following the privatization of the telecommunications sector, NITEL/MTEL operated alongside GSM providers such as MTN, GLO, and ECONET. Similarly, state-owned banks such as the National Bank and Cooperative and Commerce Bank (CCB) operated alongside private commercial banks before their eventual liquidation. The major challenges confronting public enterprises include political interference, poor management, political instability, excessive government control, poor employee attitudes, financial mismanagement, and inadequate funding.

Political interference: Emeh (2021) observed that public enterprises face numerous challenges that can negatively affect the quality of goods and services they provide. In fact, many public enterprises in Nigeria are unable to compete effectively with private businesses operating in similar areas. Since public corporations are owned by government, officials may sometimes influence these organizations to undertake activities that are not in their best interests. For political reasons, government officials may compel public enterprises to employ unqualified individuals for vacant positions or undertake projects that provide little or no value to the organization. In some cases, public enterprises may also be pressured to contribute funds to ruling political parties for elections and other activities. Such political interference in the management and operations of public enterprises reduces their efficiency and effectiveness and has contributed to the collapse of many public enterprises in Nigeria (Anyadike, 2022).

Political Instability: Political instability occurs when there are frequent and unexpected changes in government. Every fresh government usually prefer to appoint new board of directors that will oversee the operations of the public enterprises. The frequent and unexpected changes in management of public enterprises results in inconsistent policies. Moreover, frequent changes may also cause delays in the completion of projects or causes changes that are not necessary in on -going projects. Sometimes, megaprojects that consume large amount of money are abandoned because the new board of directors does not approve of them.

Poor Management: This is related to the problem of political instability already discusses in the above**.** Members of the board whose responsibility is to formulate policies for public enterprises may not have the skill and experience needed in the area of business the enterprises operate. Also, government can force public enterprises to employ unqualified persons as management staff. The two above conditions may result in poor management.

Government Controls: Government controls over public enterprises are necessary. However, in some cases, these controls can be repressive, thereby rendering the inactive. In order for a public enterprise to compete favourably with private enterprise operating the same line of business, a public enterprise should be permitted to operate under the same conditions. For instance, if the government, due to political purposes, enforces price controls on its public enterprises and fails to control the prices of other enterprises in similar line of business, then the profit of public enterprises will be lower compared to that of the private enterprises that operate in similar line of business.

Over-Protection by Government: Some government companies are like over-protected children who have no ability to do anything for themselves. Many of them rely on the government for virtually everything which includes the provision of money payment of staff salaries and for maintaining or replacing of equipment even when they are expected to be profit making organizations. In private businesses, the management and employees are aware of the fact that they are required to make profits in order to avoid the business from closing down and therefore making them to become unemployed. As a result of this, employees work hard in order to improve goods and services. In public enterprises, most workers do not take the issue of the financial condition of their organizations seriously because they have assurance of tenure of office. In fact the services rendered by some public enterprises are too poor that some members of the public have decided not to have anything to do with them. Therefore, the practice of over-protection of public enterprises by the government makes employees in such enterprises not to care about the quality of work they render to the business.

Poor attitude to Work: Most employees in public enterprises view the enterprises as government work. Unfortunately, the common belief among most of them is that government work does not deserve seriousness and commitment**.** As a result, some workers fail to do their work at all or when it is done, they do it irregularly. This makes public enterprises not to be able to discharge the duties for which they were established**.** Nigeria employees typically have poor attitude towards work (Nwachukwu, 2022). He argues that the average worker in Nigeria is "not on seat" fifty percent of the time. Most workers view government work as a white-collar job whereby the employee is entitled of his or her monthly salary notwithstanding of his or her input in the organization. This kind of attitude will definitely prevent the accomplishment of organizational goals.

Financial Mismanagement: Ugoo in Anyadike (2013) contends that some public enterprises established on the basis of regulatory principles have failed to meet expectations due to high levels of corruption within such organizations. Officials in these organizations may demand bribes and undermine the primary objectives for which they were established. Some government-owned enterprises are also associated with poor financial management, with public funds sometimes being completely misappropriated. In certain cases, officials collude with contractors who receive full payment for projects that are either not executed or poorly executed. There are also instances where old and outdated equipment and machinery are purchased at the cost of new ones. Such resources could otherwise have been used for essential development projects by the enterprises or government. The overall effect of these challenges has been the provision of poor services by public enterprises, including irregular electricity and water supply, delayed or undelivered mails, unreliable telephone services, and poor rail and air transportation services. Moreover, the inability of public enterprises to perform their responsibilities efficiently has contributed significantly to the slow pace of social and economic development in Nigeria.

Poor funding: It has been noticed that one of the challenges that affects the smooth operations of public enterprises in Nigeria is inadequate funding. Also, the tariff structure of some of the enterprises is not adequate for raising funds that needed for improving their performance. Many public enterprises have low capital base which makes accessing financial support from the banks difficult. This means that poor capitalization hinders borrowing, thereby resulting in poor performance.

In summary, the challenges confronting public enterprises were supported by Agabi and Orokpo (2014), who emphasized that the performance of Nigerian public enterprises has been compromised in many instances. This has resulted in inefficient utilization of resources, coupled with heavy or total dependence on the national treasury for financial operations. Their activities are often characterized by financial and operational mismanagement, widespread corruption, abuse of monopoly power, and bureaucratic interference from supervising ministries. These challenges have also limited the ability of public enterprises to effectively promote the social and economic well-being of the people, thereby placing the government under pressure to introduce various economic reforms, including privatization and commercialization.

Problems Facing the Implementation Privatization and Commercialization of Public Enterprises in Nigeria

The selling of state-owned enterprises to the private individuals or organizations by the government should be to ensure efficient supply of goods and services where necessary. The aim of the government should be to promote the production of essential goods in the economy but not making but the making itself the sole producer. In the past in Nigeria, the government squeezed out market supplies. The expectation now is that the government will support the development of the market and promote competition. The mission now is the fast integration of Nigeria into the market-oriented system. Public enterprises reforms in Nigeria, especially privatization and commercialization faced some challenges that affects the achievement of their objectives. According to Obadan (2020), the success of privatization and commercialization in Nigeria were affected negatively by the following problems:

(i) Socio-political and ideological: Theoretically, the privatization of Public Enterprises (PEs) has certain ideological foundations rooted in the classical, neoclassical, liberal, and neoliberal schools of thought. Privatization has been viewed by some scholars as a legacy of the Structural Adjustment Programme (SAP) and, in some instances, as a manifestation of international capitalist influence, particularly through institutions such as the World Bank and International Monetary Fund (IMF). The Structural Adjustment Programme of the 1980s was regarded as an unavoidable condition that significantly influenced the global economic order at the time. From a socialist ideological perspective, however, reforms of public enterprises are sometimes viewed as a strategy aimed at strengthening capitalist principles and expanding private-sector participation in the economy.

(ii) Uncooperative Attitude of some government officials (Enterprises managers and staff): Some government officials, enterprise managers, and staff were opposed to the privatization policy because they perceived it as a threat to the existing system and their positions. According to Obadan (2020), former supervisory ministries viewed the programme negatively because they believed that privatization would reduce their authority, as the affected public enterprises would be separated from ministerial control and interference. Consequently, some ministries may have indirectly resisted or failed to fully support the implementation of the programme. Similarly, managers and employees of the public enterprises targeted for privatization were often reluctant to support the reform because they feared losing their positions, privileges, or job security. Such open or subtle opposition and lack of cooperation may have weakened the effective implementation and overall success of the privatization programme.

(iii) Weak market alternatives: Another problem of privatization in particular, is that Nigeria being a developing economy has few advance or mature formal or registered business sectors, coupled with higher start-up cost, less capacity to invest, and less exposure to competition.

(iv) Geopolitical and income-group spread: The privatization decree emphasized equity in the distribution of shareholding among different income groups and geographical segments of the country. However, privatization in Nigeria has often been characterized by unequal distribution of equity among various income groups and geopolitical sections of society. Certain individuals or groups from particular income classes or geopolitical areas have tended to dominate and control the ownership of privatized enterprises, thereby limiting broad-based participation and undermining the principle of equitable ownership.

(v) Government capacity: Closely related to the attitudes of public officials and managers of public enterprises, delays in implementing public enterprise reforms are also associated with the administrative and political capacity of government to perform its new responsibilities. Effective privatization requires government to possess adequate institutional, administrative, and political capacity to undertake initial diagnoses and assessments, make appropriate decisions regarding policy implementation, and effectively manage its regulatory and supervisory responsibilities after public enterprise reforms have been introduced. Without sufficient government capacity, the objectives of privatization may be difficult to achieve.

(vi) Poor funding of the National Committee on Privatization and Bureau of Public Enterprises: The essential economic reform mandate of the Bureau and the various NCP sector directing committees was weakened by poor funding.

(vii) The Problem of inaccessibility to credit: Many potential equity holders lacked sufficient financial resources to process their application forms and purchase shares, contrary to the government’s expectations. Recognizing the financial limitations of citizens, the government directed all licensed commercial banks to provide loans to interested individuals. Despite this directive, however, the banking sector did not respond adequately. The resulting financial difficulties reduced the participation of potential investors, particularly low-income workers whose salaries were insufficient to meet the financial requirements of the privatization programme. It may therefore be necessary for employers’ associations to provide assistance to their workers through share-purchase loan schemes, thereby reducing the financial burden and easing the pressure on workers during programmes such as privatization (Ayodele, 2022).

(viii) Institutional Investors versus Small Individual Investors: On many occasions, reports indicated that shares offered for sale were oversubscribed. In most cases, this situation resulted from the participation of institutional investors seeking to expand and diversify their investment portfolios. The strong involvement of institutional investors consequently reduced the opportunities available to small individual investors to obtain the quantities of equity shares they desired. This situation weakened the objective of broad-based ownership and limited the participation of ordinary citizens in the privatization programme (Ayodele, 2022).

(ix) **Inadequate of Regulatory Framework**: - Another important challenge is the possibility that the transfer of ownership from public enterprises to private enterprises may result in the accumulation of significant market power by privatized organizations. Such market power can only be effectively controlled where appropriate regulatory institutions and mechanisms are available. An effective regulatory framework requires the enactment of relevant laws and the establishment of competent regulatory agencies to monitor the behaviour of privatized enterprises, particularly in relation to pricing, service delivery, and product quality. This is necessary to prevent abuse of market power and protect the interests of consumers and other stakeholders in the economy (Umo, 2022).

(x) **Opposition to Privatization**: - Privatization in results in job losses due to restructuring. Therefore, it is usually opposed by trade unions, management and employees, because of fear of unemployment.

(xi) **Inadequate Capacity**: - This another problem of privatization and commercialization is that the exercise depends on political decisions and approval of governments, the execution of the program itself requires high technical and multiple professional skills. The professional it requires range from economists, finance experts, accountants, lawyers, engineers, public relations experts, among others. Inadequate required skills mentioned in the above affects the successful implementation of the program.

(xii) **The Problem of Establishing Equity among the relevant stakeholders**: - Privatization involves the transfer of public resources and assets to citizens or private individuals; therefore, the process is expected to ensure fairness and equitable participation among all relevant stakeholders. However, this objective has not always been achieved in practice. According to Umo (2022), several challenges may undermine equity in the privatization process. First, privatized enterprises may be deliberately undervalued to favour particular buyers or may be inaccurately valued due to inadequate technical expertise. Second, enterprises may be sold to a small number of wealthy individuals, thereby increasing the gap between the rich and the poor. Third, the disposal of certain public assets may conflict with broader national interests. Fourth, prospective buyers may lack adequate financial resources and access to credit, making it difficult for them to acquire privatized assets or shares. These factors can limit broad-based participation and undermine the principle of fairness in the privatization process.

(xiii) **Lack of Transparency**: - Privatization and commercialization programmes are not run in a transparent manner due to the fact that the operators of the public enterprises have their godfather and collaborators in government (Ayodele, 2022).

(xiv) **Insincerity of policy** on the part of government is another problem of privatization and commercialization in Nigeria.

The Way Forward

Having analyze privatization and commercialization of public enterprises in Nigeria and also assess the challenges the program face in Nigeria, it is important at this juncture, to examine the ways of improving the program in Nigeria in the future. The following ways have been suggested as the means of solving the challenges of privatization and commercialization of public enterprises in Nigeria:

(i) **Transparency**: - Transparency means that the planning and implementation of privatization and commercialization of public enterprises should be transparent, honest, and sincere. It also means that the implementation of the program is carried out in accordance to the rules and regulations.

(ii) Before embarking on the privatization of a particular enterprise, adequate research or study should be undertaken to examine the operations, function and the success of policy of privatization and commercialization.

(iii) In order to increase the financial capability of potential stakeholders to acquire shareholding in the privatized companies policies which promote the development of investment assets in the economy which are capable of providing a reliable income flow a period of time in the future. To ensure that the policy is stable, the rate of inflation in the Nigeria should be kept low.

(iv) The government should ensure proper monitoring and supervision of privatization and commercialization program. The interests of employees of the that privatization is properly monitored and supervised and the interest of the employees of the privatized company should be guaranteed. This means not laying them off unnecessarily and where necessary lay them off with adequate compensation.

(v) Government should ensure that adequate measures are put in place to minimize corruption in process of privatization and commercialization.

(vi) Government should also make sure that the contribution of privatization and commercialization to socio-economic development in terms of employment generation is positive.

(vii) The guiding principle of privatization and commercialization of public enterprises should be enhancing the level of efficiency of the enterprise.

Conclusion and Recommendations

In this paper, the challenges of public enterprises in Nigeria and the privatization and commercialization option were examined. The paper revealed that public enterprise encountered many challenges that reduce capability to achieve the purposes for which they were established effectively and efficiently. The major challenges include political interference, corruption and excessive bureaucracy, poor funding, poor attitude towards work, financial mismanagement, over-reliance on government subvention, political instability. The results in poor performance of public enterprises, and drain of financial resources that would have been used to meet other social needs especially social amenities that have the ability of raising the socio-economic well-being of the citizens.

The major options adopted by the government to address the management challenges of public enterprises in Nigeria have been privatization and commercialization. Although these reforms have produced positive outcomes in some sectors, their overall success has not been impressive in others. Nevertheless, privatization and commercialization should not be regarded as blanket solutions to all the challenges confronting public enterprises in Nigeria. Rather, deliberate efforts should be made to identify and address the underlying institutional, managerial, financial, and operational problems affecting the effective performance of public enterprises.

In conclusion, for privatization and commercialization to improve the management and performance of public enterprises in Nigeria, these reforms should not be treated as ends in themselves but as means of promoting effective partnerships between the public and private sectors. Such partnerships should aim at improving efficiency, accountability, service delivery, and the overall contribution of both sectors to national development. Consequently, the success of privatization and commercialization should ultimately be assessed based on their net benefits to the Nigerian economy and their ability to improve the welfare of the general population.

Based on findings and conclusion of this study, the following recommendations were given:

(i) In order to improve the management and efficiency of public enterprises in Nigeria, the government should not relent in the use of privatization and commercialization.

(ii) However, the public choice theory should be adopted in terms of the exercise. Government should retain ownership and control of sectors that provide public goods or that are strategic to the economy (Security, power, health, railway, education, among others). Some of these sectors should be commercialized while sectors that provide private goods should be privatized.

(iii) In order to solve the challenges of privatization, there should be transparency in the planning and implementation of privatization and commercialization of public enterprises. This means that the government and public officers involved in the process should be honest, and sincere and follow rules and regulations.

(iv) Before embarking on the privatization of a particular enterprise, adequate research or study should be undertaken to examine the operations, function and the success of policy of privatization and commercialization.

(v) In order to increase the financial capability of potential stakeholders to acquire shareholding in the privatized companies policies which promote the development of investment assets in the economy which are capable of providing a reliable income flow a period of time in the future. To ensure that the policy is stable, the rate of inflation in the Nigeria should be kept low.

(vi) The government should ensure proper monitoring and supervision of privatization and commercialization program. The interests of employees of the that privatization is properly monitored and supervised and the interest of the employees of the privatized company should be guaranteed. This means not laying them off unnecessarily and where necessary lay them off with adequate compensation.

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