Effect of Public Sector Reforms on the Nigerian Economic Growth

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Abstract

This paper examined the policies of public sector reforms on economic growth with special reference to privatization and commercialization of public enterprises in Nigeria and how they have impacted the growth of the Nation. Thus, the broad objective of this study is to discuss the impact of privatization on Nigerian economic growth. The specific objectives include to: (i) examine the pre and post privatization and commercialization effect on the economy; (iii) assess the effect of capital expenditure, investment and inflation rate on Gross Domestic Product (GDP).The study adopted Ex-post facto research design in examining the effect of privatization on the Nigerian economy from 1980 - 2015. Data were collected from secondary sources through the Central Bank of Nigeria and National Bureau of Statistics, and were analyzed and tested using the multiple regression analysis. Result emanating from this study reveals that the combinations of capital expenditure (CAPEXP), investment (INV) and inflation rate (INF) significantly impacted on the GDP. The study therefore recommends effective regulatory framework, observation of transparency, accountability and due process in the implementation of the privatization programme, as well as judicious utilization of privatization proceeds.

Keywords: Privatization, Commercialization Economic Growth, GDP, Nigeria

INTRODUCTION

The demand for economic reforms all over the world is not unconnected with the ideology of neo-classical economists, whose desire is to reduced government intervention in the economy, and believe in the superior economic performance of the private sector. According to the neo-classical economists, a free market economy without state intervention will lead to economic prosperity that would likely “trickle down” to the poorest members of the society. Hence, government intervention in the economy is considered necessary to place the country on a sound footing. Nigeria attained independence in 1960, and soon after in 1966, was engulfed in a political turmoil that ushered in a regime of coups, counter coups, regime changes, political instability and a civil war between 1966 and 1979. During this period, the country was largely governed by the military, using coercive instruments and systems of administration that were inimical to economic growth and development. The ambition and greed among the ranks of the military to remain in power led to the frequent change in government that virtually rendered the economy of Nigeria prostrate. The incessant change of government became a serious impediment to the implementation of some well-meaning policies to such an extent that programs on which enormous sums of money were already expended got abandoned, and in some cases, were completely scrapped along with the passage of government that articulated them. This scenario, among others, depicts the economic waste that characterized the period of political instability in Nigeria. The period also witnessed deliberate government policies to reduce foreign participation in the economy, such as the indigenization decrees of 1972 and 1977. The implementation of these decrees led to substantial transfer of investments from foreigners to government and a few wealthy Nigerians. The rationale for doing this which according to the government was to reduce the high repatriation of profit by foreigners turned out to be a serious disincentive to economic growth. The investments acquired from the foreigners by government were mismanaged to enrich a few officials, while the generality of the people for whom the investments were held in trust continued to suffer deprivation and sharp deterioration in the standard of living.

During the period, oil boom provided government with enormous revenue from the export of crude oil. In addition to the revenue from crude oil, Nigeria went off-shore to accumulate foreign debt, based on her credit worthiness, to execute a number of ambitious projects most of which were economically undesirable. The oil wealth coupled with the external borrowing created an impetus for massive expenditures on projects and programs that were in the main unproductive. The indulgence on the part of government coupled with other ill-conceived policies led to a rapid expansion of the government sector that invariably had some crowding out effects on the private sector. The inefficiency of government operations soon became a major bottleneck to the growth and development of the economy that led to the long period of economic stagnation. This scenario generated intense pressure on the government from within and outside the country to undertake economic reforms for the purpose of encouraging growth and development. The initial response of government to the economic stagnation was to put in place a number of stabilization measures as reflected in the Economic Stabilization Act of 1982. The measures and controls were however ineffective and counterproductive to the extent that the growth rate of gross domestic product (GDP) turned negative and capacity utilization in industries declined drastically. In 1985 more stringent fiscal, monetary and exchange control measures, as well as the incomes policy, were designed to arrest the deteriorating economic situation. The federal government responded to the deteriorating economic conditions with Structural Adjustment Programme designed with the assistance of World Bank to actualize the central aim of poverty alleviation. The World Bank support of Structural Adjustment Programme (SAP) began in September 1986 with a trade policy and export development loan amounting to $ 452 million. The objective of the export led economic growth of SAP included the following; to restructure and diversify the productive base of the economy in order to reduce dependence on oil and imports, to lay the foundation for long-term economic growth by encouraging exports, to strengthen fiscal and balance of payments position, to improve the efficiency of the private sector's growth potentials.Unfortunately, the success of SAP measured in terms of poverty alleviation indicates that SAP was very far from being a success. Consequently, the democratic government of Obasanjo in a bid to transform the country's economy in 2003 introduced the market driven and private sector led development programme called National Economic Empowerment and Development Strategy (NEEDS) aimed at poverty reduction, wealth creation, empowerment generation and value reorientation, under a Macro Economic framework that focused on the reforming government and institution, growing the private sector and social charter vis-à-vis human development and as the strategy for achieving the above stated goals of NEEDS.NEEDS is a development strategy anchored on the private sector as the engine of growth for wealth creation, employment generation and poverty reduction. The government is the enabler the private sector is the executor, the direct investor and manager of business (Onosode 2005). The key element of this strategy includes the renewed privatization, deregulation and liberalization programme; to shrink the domain of the public sector and bought up the private sector. NEEDS thrust of growing the private sector is a welcome idea especially now that the world economic order is anchored on driving the economics of nations by the private sector. This is the crux of the implication of the efforts of government in ensuring provisions of employment, efficiency and effectiveness. Thus, reducing the function domain of government and enlarging that of the private sector. The cardinal objective of any government among other things is to develop the people, therefore, all reforms embarked upon by any administration whether economic, social or political the people are at its center (Obasanjo 2006).

Against this backdrop, this paper looks at whether privatization and commercialization in Nigeria were desirable through extensive theoretical review of the performance of privatized enterprises in Nigeria and the impact of privatization on the economic growth of Nigeria. Public enterprises are vital tool for the development of a country's economy, more especially developing countries like Nigeria. However, decades after its existence, the public enterprises had grown too large and bedevil with some fundamental economic problems such as inadequate funding, excessive bureaucratic bottleneck, inappropriate technology, gross misconduct, massive corruption and nepotism. This problem led to massive unemployment, high inflation rate and inability of government to provide basic social services. To receive economic assistance from international financial institutions, the World Bank and International Monetary Fund advised the country to privatize their public enterprises. In view of this, this paper looks at the effect of privatization and commercialization on the economic growth of Nigeria. The paper also looks at concept, theories, rationale and challenges in privatization and commercialization of Public Enterprises. It ends with recommendations that may help to further enhance and sustain the performance of privatized enterprises if they found to be desirable in Nigeria. The hypotheses underlying this study are stated thus;

$H0_{1:}$ There is no significant relationship between privatization policy and economic growth of Nigeria.

$H0_{2:}$ There is no significant impact of capital expenditure, investment and inflation rate on Gross Domestic Product.

LITERATURE REVIEW

Public Enterprises

Public Enterprises which could otherwise be referred to as State-Owned Enterprises are defined as businesses or entrepreneurial organizations set up by the national or state governments (Asaolu, 2015). According to Nwoye (2011), the public enterprise is a corporate body created by the legislature with defined powers and functions in which public authorities hold the majority of the shares and/or can exercise control over management decisions. It is a corporate body owned and controlled by the central or regional government. It is established with no privately exchangeable rights to the profits. The government has the legal right to appoint and dismiss directors. Ayodele (2011) opined that the absence of private rights to profits and the power of the government to appoint directors are conditions which are compatible with a wide range of public institutional forms. Public Enterprises may cover any commercial, financial, industrial, agricultural or promotional undertaking owned by the public authority, either wholly or through majority shareholding which is engaged in the sale of goods and services and whose affairs are capable of being recorded in balance sheets and profit and loss accounts. Such undertakings may have diverse legal and corporate forms, such as departmental undertakings, public corporations, statutory agencies, established by Acts of Parliament of Joint Stock Companies registered under the Company Law" (Dimgba, 2011).

Drawing from the above definition, public enterprises appear to take three distinct forms; (i) Departmental undertaking; (ii) Statutory Corporation and (iii) Joint Stock Company with shares owned by State. This means that there are public enterprise established for privately remunerative – provided by market through Directly Productive Investments (DPI); socially profitable but not privately remunerative provided by State, like road building, irrigation, through Social Overhead Capital (SOC); privately remunerative but not capable of private execution, like heavy industry, high technology involving capital-intensive investments like power, transportation, etc also provided by the State with/without the help of the market; and natural monopolies. The privately remunerative but not capable of private execution provided by the State with/without the help of the market can be transferred to the private sector when the capitalist development in these countries attain sufficient maturity to enable them to handle the capital intensive investment. Thus, privatization and commercialization of public enterprise usually take place along with fundamental restructuring, planning, and policy by the government.

Privatization and Commercialization

The concept of privatization and commercialization has been used interchangeably. However, the two concepts have a different meaning. According to (Ayodele, 2004), privatization is the process of transferring ownership and control of a government-owned business to private individuals. It is a transfer of ownership right from a public agency to the private sector. It is the sale of government-owned assets and the opening of certain markets to the private sector. Privatization has also been defined by Privatization and Commercialization Act of 1988 and the Bureau of Public Enterprises Act of 1993 as the relinquishment of part or all of the equity and other interests held by the Federal Government or any of its agencies in enterprises whether wholly or partly owned by the Federal Government. This definition means that privatization can be full or partial. Partial privatization occurs through equity dilution, joint ventures, management contract, and lease. Full or complete privatization is the complete transfer of ownership and control of a government enterprise or assets to the private sector. It is the transfer of the ownership (and all the incidence of ownership, including management) of a public enterprise to private investors. Similarly, Ezeani (2006) defined privatization as a deliberate government policy of stimulating economic growth and efficiency by reducing state interference and broadening the scope of private sector activity through one or all of the following strategies ; transfer of state-owned asset to private ownership, through sale of share, control or management of state-owned asset, encouraging private sector involvement in public activity and shifting decision making to agents operating in accordance with the market condition. Solanke (2012) also defines privatization as the sale of operation, granting vouchers to serve recipient or contracting out whichever ways it is defined the main idea is the changing of business status service, industry from government or state or public to private ownership or control.

Several other studies have also defined privatization as a systematic transfer of appropriate functions, activities or property from the public to the private sector, where services (production and consumption) can be regulated more efficiently by the market and price mechanism. It is a shift from the public to the private sector, not shifts within sectors. To this end, a product of privatization is a significant change in the relationship between the government and the private sector, with the role or the level of involvement of the state in the economy being reduced, as more of the functions get shifted to the private sector. On the other hand, commercialization is the practice of making a profit from services or activities formerly offer free or at a low price to the public. It is the practice of making an activity profitable that was totally free. It can also be seen as is the efficient running of a government enterprise with the major motive of making a profit**.** Section 14 of the 1999 privatization and commercialization act though did not distinguish Privatization and Commercialization; severities opined that commercialization is the reorganization of enterprises wholly or partly owned by the Federal Government in which such commercialized enterprises shall operate as profit-making commercial ventures and without subventions from the Federal Government. The Act provides that commercialized enterprise shall operate as a purely commercial enterprise and may, subject to the general regulatory power of the Government of the Federation (a) fix the rates, prices and charges for goods and services it provides. Unlike the privatized enterprises, in commercialization, the government would continue to be the sole owner of the enterprises they would also continue to have a financial stake in the enterprises to be commercialized (Oji *et al.*, 2014).

However, the Technical Committee on Privatization and Commercialization (TCPC), now Bureau of Public Privatization (BPE), would ensure that all the checks and balances are in place to minimize government interference and to encourage optimum performance by the managers of those enterprises. Commercialized enterprises should adopt commercial orientation and financial self-sufficiency. They are expected to be better managed and to make a profit. They are expected to be run like privatized enterprises in the future except perhaps in the case of utilities. It should be self-sufficient in both it's recurrent as well as capital expenditure needs. Enterprises to be partially commercialized would be expected to operate like the fully commercialized ones in terms of better management and profit orientation but because of the 'public' nature of the goods and services provided by those enterprises and in order to keep the prices of their products or services as low as possible for the public, government would still provide financial grants for the capital projects of the partially commercialized enterprises. They would be expected to earn enough revenue to cover their operating costs. From the foregoing, it is clear, therefore, that when a public enterprise is fully commercialized, the expectation is that it should operate as a purely commercial enterprise without subventions from the Federal Government. Drawing from the above for privatization and commercialization to take place only is the existence of public enterprises, which need to be converted into private enterprises. Secondly, there is the reasoning that private ownership or control or management would be better than public ownership. Finally, privatization is premised on the fact that there are problems with public ownership of enterprises and privatization is part and parcel of a reform agenda to turn around these enterprises so that they can deliver goods and services more efficiently and effectively. Both privatization and commercialization have become a generic term often employed to describe a wide range of policy initiatives designed to alter the mix in ownership and management of enterprises away from government in favor of the private sector (Kifordu *et al.*, 2016). They are a variety of measures adopted by the government to expose a public enterprise to competition or to bring in private ownership or control or management into a public enterprise and accordingly to reduce the usual weight of public ownership or control or management. Privatization and commercialization of public enterprises remove the burden accompanying budgetary obligation (especially where some of the enterprises are making losses). Removal of government restrictions on private economic activity and divestiture of the state assets particularly State-Owned Enterprises (SOEs) into private hands reduce government expenditure, promote efficiency in the running of businesses, promote innovation, creates avenue for private investment, provide government with short-term revenue and reduces the problems of corruption, nepotism associated with public corporation. Most importantly, privatization and commercialization abolished monopolies or barriers to entry, increase competition and increasing government revenue as evidence in the Nigeria telecommunication industry. It is on the onion that several studies opined that privatization and commercialization are akin to deregulation of a country's economy. In this essence, full participation of private individuals in the country's economic activities is crucial to ensure competitive economic system devoid of monopoly and allow price mechanism of demand and supply's principle of economy to prevail.

Rationale for Privatization and Commercialization of public Enterprises in Nigeria

Privatization and commercialization are based on the premise of efficiency management. Against this backdrop, Gberevbie *et al.,* (2015) highlighted the following rationales. These which include:

i. To overcome inefficiency enterprises: over the years government enterprises have become so inefficient, as epitomized by the epileptic services they render to the public. This is in spite of the fact that the government has and still continues to pump in a lot of money into them. Instead of improving, most of them seem to be retrogressing. Acting as drain pipes on the economy without making any meaningful contribution to our economic development via service delivery, the government decided to transfer them to private hands that have over the years proved to be better managers in order to reduce wastage. It is assumed that because public enterprises are funded wholly or partly by government and also run by the government they are run inefficiently.

   Consequently, in terms of public enterprises, privatization will introduce new technologies and promote innovation while the private investors will upgrade plant and equipment, increase productivity, including utilization of industrial plant, improve the quality of the goods and services produced, introduce new management methods and teams and allow the enterprise to enter into domestic and international alliances essential to its survival.

ii. To manage economic recessions: The Nigerian economy has been in a very poor state for quite some time now.

   The level of unemployment is simply unacceptable. The excruciating foreign debt food crisis, poor infrastructure etc. are all evidence of the economic decay which the nation has found itself in. Apparently, the economy can no longer sustain the level of wastages associated with public enterprises. Also as a step to get out of this malaise, a solution has to be found on how to reduce wastes. Privatization is one of such solutions.

iii. Structural Adjustment purpose: Following the downturn in the Nigerian economy in the early eighties, the government of Alhaji Shehu Shagari stated the Austerity measures which were aimed at bringing about a reduction in government expenditure and imports. These measures did not achieve much before the government was booted out of office by the military which also continued the search for policy measures that will review the economy. In 1986, the Babangida government introduced the World Bank/IMF. A deepening effort towards salvaging the worsening situation culminated into the 1986 Structural Adjustment Programme (SAP), which aimed at the restoration, in the medium term of the healthier path of national economic development. A key course of action of SAP towards the realization of policy intention was to reform public enterprises so as to lessen the dominance of unproductive investments in the economy improve their efficiency and intensify the growth potentials of the private sector. To achieve the above desired culminated into the packaging of a public enterprises reform program whose main thrust was divestment of government interest in a number of nonstrategic enterprises and commercialization of others. A supportive decree, privatization, and commercialization Decree was promulgated in 1988. This decree makes provision for the privatization and commercialization of federal government enterprises and other enterprises in which the federal government has equity interests. This decree gave breath and life to effective public enterprises reforms in Nigeria with the expectation that the private sector would do better in managing the economies. For instance, the proponents of SAP opined that implementation open up the economy for private individuals would reduce the high level of inflation, huge domestic debt,high level of unemployment and low growth rate of the national economy, the chronic deficit in the balance of payments position. Thus, the privatization of the economy would lead to greater accountability, better factor allocation, the ceasing of public subventions of industries.

iv. Other rationale for privatization were to reduce the financial drain on the state in the form of subsidies, unpaid taxes, loan arrears and guarantees given, mobilization of private resources to finance investments that can no longer be funded from public finances, generation of new sources of tax revenue, limitation of the future risk of demands on the budget inherent in state ownership of businesses, including the need to provide capital for their expansion or to rescue them if they are in financial crisis. A cursory look at the appropriations made between 1970 and 1999 and 1999 and until present day will show that no appropriations were made to the public enterprises listed for privatization. Instead, the proceeds of the sale were paid to the government treasury for the purpose of the appropriation.

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

The idea of privatization and commercialization is that the state should ensure the supply of services where necessary. It should ensure that essential goods and services are provided but not aimed to be the sole producer or delivered. Whereas in the past government was seen as often squeezing out market supplies, it is now expected to support their development and promote competition. The task now is that with the fast incorporation of Nigerian State into the market-oriented system, there seem to be some hindrances to grapple with in actualizing the dreams of public enterprises reform. According to Obadan (2000), the relative success in the public enterprise's reform has some crucial problems which are economic, political and ideological. These problems are summed up as follows:

i. Socio-political and ideological: Theoretically privatization of Public Enterprises (PEs) has some ideological underpinnings as conceptualized by the classical or neo-classical and the liberal neo-liberal schools of thought. Privatization was seen by some as a carry-over of the structural adjustment program and also seen is a caricature of the international capitalist imposition especially the World Bank / IMF. The structural adjustment of the 1980's was seen as an inevitable circumstance that pervaded the world economic order then. The socialist ideologue also sees public enterprises reform as a path towards consolidating capitalism.

ii. Uncooperative Attitude of some government officials (Enterprises managers and staff): Some officials were recalcitrant over the policy or privatization as this would undermine the status quo, particularly the supervising ministries. Obadan (2000) argued that the former supervisory ministries misconceived the program as a way to reduce their power as the affected PEs will be insulated from all ministerial controls and interference, and somehow silently opposed to the policy arrangements. Similarly, managers and staff of these privatized PEs are against the reform as it would undermine their position. Some of these criticisms overtly or covertly may have devastating implication on the program.

iii. Weak market alternatives: As applicable to poor developing countries, Nigeria has less mature formal business sectors, with higher start-up cost, less capacity to invest, and less exposure to competition.

iv. Geopolitical and income-group spread: The enabling decree laid emphasize on equity in the spread of shareholding. But contrarily there were marked imbalances in equity shareholders distribution among income groups and the different segments of the society. Some income groups or geopolitical entity tends to have cornered the market.

v. Government capacity: Closely related to the attitude of the public officials and managers of PEs over the delays in the implementation of PE reforms has to do with whether the government has the administrative and political ability to undertake its new roles. The government must have the capacity not only to make initial diagnoses and assessments to decide on policy implementation and also to administer the state's roles once PEs reforms have been established.

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 steering committees is threatened by poor funding.

vii. The Problem of inaccessibility to credit: Many prospective equity holders did not have enough funds to process their application forms, contrary to the expectations of government. The perceiving problem of financial limitations, the government directed all licensed commercial banks to extend to all interested persons. In spite of this directive, the banking system did not respond favorably due to what they called "operational lapses".

   The financial problem thus dampened the enthusiasm, particularly of paid workers whose salaries are not high enough to cope with the financial requirement to benefit from the policy. However, it may, therefore, be necessary for Employer's Association to provide assistance for their employees, in terms of share purchase loans that will relief and relax the high tension of workers with respect to this programs

viii. Institutional Investors versus Small Individual Investors: On many occasions, there were reports of oversubscription in the shares for the offer of sales. This, in most cases, arose from the intervention of institutional investors to broaden their investment portfolios. This intervention, incidentally, obstructed the chances of small individual investors in getting the quantities of equity shares they desired.

Privatization and Economic Growth

Privatization, a method of reallocating assets and functions from the public sector to the private sector, appears to be a factor that could play a serious role in the quest for growth. The process of privatization can be an effective way to bring about fundamental structural change by formalizing and establishing property rights, which directly create strong individual incentives (Gberevbie, 2015). In the view of creating strong incentives that induce productivity, privatization may improve efficiency, provide fiscal relief, encourage wider ownership, and increase the availability of credit for the private sector. The motives for privatisation are aimed at improved fiscal equity and distributional performance, although the importance attached to each has varied between and within countries over time. Nevertheless, the link between privatisation and economic growth relates most directly to the microeconomic theories used to justify privatisation. There is a strong debate theoretically on the issue of the ownership based on the property rights theory, public choice theory and principal agent analysis. The key theoretical elements underpinning the argument for a change in ownership from public to private, related, first, to the view that public ownership led to the pursuit of objectives that detracted from economic welfare maximisation. Secondly, an ownership change could improve economic performance by changing the mechanisms through which different institutional arrangements affect the incentives for managing enterprises.

These arguments are linked to presumptions concerning the condition of publicly-owned enterprises before they are privatised. A typical view presented publicly-owned enterprises as overextended and poor performers. In this situation publicly-owned enterprises crowded out private enterprises in their access to credit and erected statutory barriers to preserve the monopoly status of publicly-owned enterprises. It was argued that the net effect of a change in ownership from public to private would be improved economic efficiency, and over time an increase in investment. If privatisation was sufficiently extensive and had efficiency-inducing effects, the contribution of improved performance could be detected at the macroeconomic level. Privatisation would reduce crowding out and provide more credit to the private sector. It would increase the opportunities for investment in newly privatised enterprises by releasing them from the capital constraints previously faced under public ownership. A change in ownership would increase efficiency by introducing changes to the governance mechanisms and structure of incentives facing employees. Privatisation is often accompanied in developing countries by changes in economic policies that affect economic growth. Significant attention has focused on the process of deregulation and the importance of competition and its relation to economic efficiency. Gberevbie, (2015) have argued that competition and its regulation are crucial for the improvement of efficiency in privatised enterprises. Unraveling the separate effects of policy changes and degrees of competition is difficult, and partly explains the relative deficiency of empirical analysis in this area. The other major constraint to the development of empirical investigations has obviously related to the time period that has elapsed since privatisation.

Empirical Studies

Several attempts were made to assess the impact of privatization on the economy of countries world over. In Nigeria, Abdullahi, Abdullahi and Mohammed (2012) assess efficiency, profitability as well as distributional impacts of privatization on Nigeria. Their study compare the performance of 10 privatized manufacturing companies from 1986 to 2000, covering the period of seven years prior to and seven years after privatization for each firm. Their finding was a mixed one, with some companies showing improvements while others have shown decline in some indicators after privatization. However, their study concluded that privatization has improved all economic indicators in the country.

Ojo and Fajemisin (2010) also examine the unintended consequences of privatization of Public Enterprises (PEs) in Nigeria, and discovered that privatization had led to a number of unintended social consequences such as unemployment due to mass retrenchment of staff, low standard of living resulting from exorbitant prices of products and/or services from privatized enterprises, over concentration of income and wealth in a few hands, and corrupt practices among others. Udoka and Anyingang (2012) which study the effect of privatization on the economic growth and development of Nigeria from 1979 to 2007 discovered that there is a positive relationship between the GDP and public and private capital spending, and thus recommended that foreign investors should be encouraged to participate in the investment opportunities created by the privatization programme.

Theoretical Discussion

The privatization and commercialization policy in Nigeria is anchored on efficiency. The government claimed that privatization is an instrument of efficient allocation and management. It would reduce poverty by improving the economic indices of the country and over time lead to less corruption and red tape strengthens the role of private sector in the economy thus guaranteeing employment, improved quality of life and leads to higher utilization of capacities. According to Evoh (2002) privatization and commercialization "is a system that is grounded in the basic principles of the science of economics. It is within the large framework of economic efficiency that the principle of privatization falls. Economic efficiency refers to the use of resources so as to maximize the production of goods and services. An economic system is said to be more efficient than another in relative terms; if it can provide more goods and services for the society without using more resources. A situation can be called economically efficient if no one can be made better off without making someone else worse off, no additional output can be obtained without increasing the amount of input and production proceeds at the lowest cost. In Nigeria, the main drive of privatization is that it is an instrument of efficient resource allocation and management is based on the argument that under public ownership enterprises are often used to pursue non-commercial objectives of government, including employment maximization and uneconomic investment choices. These activities are very often inconsistent with efficient and financially viable performance and lead to poor managerial supervision and economic woes in Nigeria. According to Ikechukwu (2013), the major argument for privatization is in terms of efficiency is the switch from public to private ownership resulting in the adoption of more precise and measurable objectives on the part of the owners of which creates the environment and incentive to monitor and control management effectively. Additionally, under private ownership, firms will only remain in existence as long as they are viable.

Should they cease to be viable their resources will be reallocated by the market to other uses. Evoh (2002) supported this argument saying that given the country's economic woes privatization of the inefficient state-owned enterprises is now the most hallowed economic policy of all times. According to the economic theory, privatization policy will not only attract much needed foreign investment which will integrate the country in the globalization process but also ensure the advantages of a more competitive system, quality, price, choice and satisfaction of goods and services. Competition in no doubt is desirable as it ensures efficiency. However, the fundamental responsibilities of the government which is to promote and ensures social equity by providing for the less privileged in the society may be in jeopardize. This is because privatization focused on efficiency and profit maximizing by dealing with a deadweight loss of subsidizing state-owned enterprises and the redundancy of labor as evident in the recent power section deregulation (Omoyibo, 2011). Therefore, while efficiency is the benefit of economic liberal ideas sold to the Nigerian government by the IMF and World Bank, it is imperative to note that the efficiency advantage of privatization in Nigeria is contingent on transparent and committed leadership. For instance, most privatizations in Nigeria where done to serve the interest of the more powerful members of the society.

METHODOLOGY

This study adopted Ex-post facto research design by using already existed data. The data collected were analyzed with the use of descriptive statistics and regressed with the multiple regression analysis. The data used for this study were obtained from the Central Bank of Nigeria (CBN) statistical bulletin and National Bureau of Statistics (NBS) from 1980 – 2015. The choice of this period was to analyze the pre and post privatization effect on the economy. This period witnessed major economic reforms in Nigeria, such as Structural Adjustment Programme (SAP), Gradual reform and National Economic Empowerment Development. Drawing from the theoretical and empirical discussion, the study was able to establish a relationship between privatization, commercialization and economic growth. Thus from the above, the study adopted the modified form of the theoretical model of Udoka and Anyingang (2012) which helps established a relationship between privatization and economic growth. The model for this study is stated as follows:

$GDP = f(CAPEXP, INV, INF)$
$GDP = \beta0 + \beta1CAPEXP + \beta2INV + \beta3INF + \mu$
Where:
GDP = Gross Domestic Product (proxy for economic growth)

CAPEXP = Capital Expenditure
INV = Investment (proxied with gross fixed capital formation)
INF = Inflation rate
β0 and β1, β2 β3 = Regression Parameters, and
μ = the error term which account for other possible factors that could influence GDP but are not captured in the model.

The a-priori expectation or the expected behaviour of the independent variable (CAPEXP, INV, INF) on the dependent variable (GDP) in the model is the coefficients of $\beta1 > 0$:, $\beta2 > 0$:, $\beta3 < 0$.

RESULT AND DISCUSSION

Table1: Analysis of Result

Variables	Coefficient	Std.Error	T-Statistic	Probability
C	0.2051	0.2412	0.8502	0.4024
LCAPEXP	0.3085	0.0745	4.1376	0.0003*
LINV	0.8282	0.0701	11.8064	0.0000*
LINF	0.1611	0.0421	3.8264	0.0007*
RSquared	0.8942	F-stat	1618.426	
Durbin Watson StatTest	1.8009	Prob (F.stat)	0.0000	

Source: Authors' computation (2021)

The slopes of the coefficient are in line with a-priori expectations except inflation rate. The Coefficients are positive and significant with LCAPEXP, LINV and LINF at both 1% and 5% level. That is, a percentage change in capital expenditure will induce a 0.31% unit change in GDP while a percentage change in investment will induce a 0.83% unit change in GDP and a percentage change in inflation rate will induce a 0.16% unit change in GDP. Thus both the capital expenditure and investment spending conforms to our a priori expectations, this implies that when capital expenditure and capital investment increases, the GDP also increases; and this is in agreement with the work of Udoka and Anyingang (2012). However, inflation rate does not conform to the apriori expectation. Thus, an increase in inflation rate resulted in an increase in GDP. The three independent variables (CAPEXP, INV and INF) showed a positive significant relationship with the dependent variable (GDP), with all being significant at 1% level. The coefficient of determination as revealed by R-square (R2) indicates that 0.89 of the variations observed in the dependent variable (GDP) were explained by variations in the independent variables (CAPEXP, INV and INF). The F-statistics has a value of 1618.4. On the whole, the overall probability (F-statistics) is 0.0000 significant at 1%. The Durbin Watson (DW) statistics is equal to 1.8; this implies the absence of serial correlation. This is because the closer the DW value is to two, the better the evidence of the absence of serial correlation.

CONCLUSION AND RECOMMENDATIONS

Privatization of public enterprise is an end itself, but as a means to get government interested in fostering a new division of labor between the public and private sectors in order to increase the efficiency and contribution to the development of both sectors. This research work studies the impact of privatization and commercialization on the economic growth of Nigeria. It employed secondary data which was analyzed and tested using multiple regression technique. The study found out that there exists a positive significant relationship between GDP, capital expenditure, investment and inflation rate after privatization. Thus, the study aligns with the work of Udoka and Anyingang (2012), Abdullahi, et al (2012) and D'Souza and Megginson (1999) that privatization has caused a significant improvement on economic growth and development. However, this study agreed with the submission of Asaolu (2015) that a number of factors viz: corruption and non-accountability of Bureau of Public Enterprises (BPE); policy inconsistency and reversal over the years; and undervaluation, questionable sales and lack of due process have undermined the performance of privatization policy in Nigeria.

In view of the importance of economic growth and in order to ensure effective implementation coverage and success of privatization, the study draws on the following recommendations based on the findings of the study.

i. To make privatization enhance the quality of economic growth, effective regulatory framework must be in place to ensure fair play.
ii. Transparency, accountability and due process must be well observed when implementing the programme. There is need for the Bureau of Public Enterprises (BPE) to improve on its anti-corruption strategies so as to be able to reduce the menace to zero-tolerance level.
iii. Effectiveness in the exercise must not terminate with the transfer of ownership to private hands but must also include effective and wise use of the privatization proceeds.
iv. There is need for political and economic stability, if only to attract genuine investors (both foreign and local).

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