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# PRIVATIZATION AND NIGERIA ECONOMY: A CASE STUDY OF POWER HOLDING COMPANY OF NIGERIA (2011 – 2015)

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**Abstract**
*The research work examined privatization and Nigeria economy, a case study of Power Holding Company of Nigeria 2011-2015. The theoretical framework adopted is structure functionalism. The research observed that the major cause of privatization was due to inefficiency by different structures and lack of performance in carrying out their functions. It also adopted the secondary data which is qualitative. It is recommended that government and private enterprises should work together in restoring high level of ethical standard in order to set laws and rules which will guide the workers in different power sectors to reduce the rate of embezzlement in Nigeria and encourage the establishment of the agency that should regulate the activities in the power sector.*

**Keywords: Privatization, Power Holding Company of Nigeria and Economy**

## Introduction

Privatization has lead to the reduction or total withdrawal of public sector intervention in economic activities. The import substitution policy of the post independence Nigeria led to the establishment of industries. Apart from this prime motivation for import substitution, there was the need to create jobs for the growing educated youths, the need of industrialization and the ideological argument that government should control, regulate and supervise the commending heights of the nascent economy.

Furthermore, there was the need to strive to catch up with the developed countries of the word and since the indigenous business men and managers were neither technically nor financially ready to assume the catalyst role which their counter parts in the developed countries were playing, government felt obliged to fill the investment gap. The obvious imperfections in the market oriented economics in terms of resources allocation to be more profitable but less preferred sectors of the economy was yet another reason for government intervention in the economy. The sum total of these is that between 1960 and 1980 the various governments in Nigeria both at federal and state levels established numerous industries. The core characteristics of most these industries were inefficiency in the utilization of resources and their consequent dependence on the public treasury for subvention.

Government both at the federal and state levels came to realize that goals of economic growth, full employment, rapid industrialization and high standard of living cannot be achieved without active participation and leadership of the private sector. It was further realized that excessive controls of government in the national economy encourage inefficiency, corruption and low capital formation. There was need for invitation to private individuals and organizations to assume the role of activation and management of the national economy while the government lays the broad frame work for the growth of industry and commerce. There was also the need for the establishment of private sector enterprise for profitability and efficiency.

**The Study Problem**

The problem of privatization has assumed embarrassing dimension. Successive governments have always been impossible to solve the problem of privatization, which is a cause to poor performance of Nigerians on the control of power sector, which result to unstable electricity supply and frequent blackout, thus has been seen by ordinary Nigerians as evidence of the ineffectiveness of their governments.

This problem has assumed terrible dimension since the situation has not improved much since the privatization at most of the power sector in recent years, even with the continued government subsidies for some users. Thus the study identifies that privatization has actually affected the department of power holding company in Nigeria. This invariably leads to economic decline due to the fact that inadequate administration leads to non performances of power holding company in Nigeria which is the major problem.

Not withstanding that the power holding company have been privatized to increase the rate of power supply in the country, also increase the economy which invariably leads to development and also reduce the politics played within the system, it has yield negative report which is thus affecting Nigeria Economy. Also privatization of public enterprise is a tool for the upliftment of a country's' economy. More especially the developing countries like Nigeria. Regrettably, the problems facing this privatization program is implementation of privatization policy and the administration of privatization and corruption.

However, it is based on this problems that the basic propositions of this privatization program are being hindered. In trying to look into these discrepancies and proffer a way forward towards a positive state of privatization of public enterprise in Nigeria, this research work emanated.

**Administrative Control and Non Performance of PHCN**

It is imperative to first identify the various conceptualization of administration as well as administrative control. This is due to the fact that for the power holding company of Nigeria to be privatized, it's the product of Administration.

According to Fritz Marx (1956:4) Administration could be seen as a determined action taken in pursuit for a conscious purpose. It is according to him, "a systematic ordering of affairs and a calculated use of resources aimed and directed at making those things happen which one wants to happen and thereby preventing the contrary from happening. It is the marshalling of available labour and materials in order to gain that which is desired at the lowest possible cost in energy time and money".

This definition seems to suggest the necessity for and presence of power and coercive authority in the effective discharge of its functions. It is on that premises that Rosenbloom (1989:6) defined Administration as the use of managerial, political, and legal theories and processes to fulfill legislative, executive and judicial governmental mandates for the provision of regulatory and service function of it.

Balogun (1983) equally, regard administration as any action that is directed to the analysis of policies, the identification of options and to a substantial degree, the implementation of programmes as well as the efficient allocation of resources in addition to all these calculated decisions, a typical administrative action takes into consideration the enduring and the goals of the organization as well as the environment within which the action takes place. Administration is inevitable in any given situation where a piece of work has to be done, and this piece of work requires the efforts of more than one person to accomplish it. We are involved in administrative behavior when we cooperate with other people to accomplish such objectives as erecting a community town hall constructing and managing schools, churches, hospitals, vehicle assembly plants, cement factories, iron and steel mills and government ministries and parastatals.

Administrative control on the other hand, are changes in work procedures such as written safety policies, rules, supervision, schedules and training with the goal of reducing the duration frequency, and safety of exposure to hazardous chemicals or situations.

Privatization as a concept has been a global policy reform targeted at reversing the appalling trends in public service and social provisioning. Literature is replete with different views of the concept by scholars.

Privatization to (Egbonmwon, 2014) is the transfer of operational control and responsibilities for government functions and services to the private sector". If viewed from a wider perspective, it encompasses a wide range of policies that encourage private sector participation in public services provision so that monopoly status of public enterprises can be eliminated or at least modified (Egonmwan, 2014). In a similar vein it can be the sale of state owned enterprises to the private sector through private placement, public offerings or competitive bidding by strategic investors breaking up monopoly into various branches of activities to stimulate competition, transfer of the management of state owned enterprises from public to private hands through contracts, leases or concessions (Idahesa and Mustapha 2002). It can be said to be divestment of government interest in the enterprises hitherto financed, operated and controlled and allow such to be taken over by the private sector with the intent that the later is rare competent to provide such goods and services efficiently. A seed number of state owned enterprises have been privatized world-wide since the concept gained ascendancy in the 1982, (Todaro and Smith 2011) our present concern is the electricity industry in Nigeria. The industry has been unbundled into the generating, transmission and distribution in order to turn around the moribund nature at the sector typified by the Power Holding Company of Nigeria. A number of theories have provided assumptions for the justification of the privatization of state owned enterprise specifically the Power Holding Company of Nigeria. Privatization can also be seen as the transfer of ownership and control of government enterprise to the private sector.

**Privatization and Efficiency**

Ernest (2000) holds that sustainable economic development demands competitiveness in the economy. This is because, firms and not nations compete in international markets (Porter, 1990) for Africa's' economies, the ability to create and sustain competitive advantage is central to economic success at any level, to create the wealth that will allow all of their citizens to emerge from poverty and enjoy a higher level of economic and social well being, fostering the emergence of competitive firms and sectors is therefore becoming a key theme of development policy. The quest for competitive performance is in effect a quest for productivity and productivity growth leads to greater efficiency in the use of nations resources. Privatization plays a principal role in this effort. Its basic rationale is precisely to achieve greater efficiency in the use of resources, although other objectives matter as well. Privatization properly managed has delivered. The available evidence shows that productivity and profitability of privatized firms improve. Higher productivity is a step towards competitiveness. Ernest (2000) notes that the impact of privatization go beyond the enterprises themselves. These impacts can change the factors that shaped competitive advantage, directly and indirectly. Strategic management of privatization can therefore significantly enhance prospects for achieving and sustaining competitive advantage.

However, privatization in Africa, and elsewhere for that matter, has not lived up to its strategic potential. The gap between what is possible and what is being accomplished is partly due to the common lack of a coherent strategy to foster and promote competitiveness as a frame of reference. The theoretical argument in favour of privatization rest primarily on one of the objectives of privatization-economic efficiency (White et al, 1991) for a number of reasons, agency problems, soft budget constraints, political interference, and proliferation of mandates state ownership of productive enterprises is seen to impair efficiency of resource use. Economically inefficient operations are not competitive in global markets, and few markets, even domestic ones, are unaffected by globalization. Thus, privatization achieves increased economic efficiency. It contributes indirectly to competitiveness. Efficiency tends to be equated with productivity, where productivity is defined as some ration between outputs and inputs. The exact level of productivity for any given activity then depend on the specific measures used for both the numerator and the denominator, for example, labour productivity may be defined as the output (measured in monetary terms) per labour, or hour, or the (dimensionless) ration between the value of output and total labour costs. Efficiency is a much more complex concept. There are several valid concepts of efficiency, understanding the different concepts terms the basis for understanding the ways in which strategic and operational decisions in privatization affect competitiveness directly or indirectly. The basic rationale for privatization stresses its contribution to allocation efficiency. The gains from the reallocation of productive assets to new ownership and management. Privatization seeks to transfer control over resources to those who have the ability and the motivation to make the best use of them, resulting in higher output and lower prices overall. The key to sustainable social and economic development is adaptive economic efficiency – defined as the set of institution (beliefs, attitudes, behaviours, rules, laws) and organizations that are essential to the functioning of a market economy. While allocative efficiency gains are in effect of the result of one-time changes adaptive economic efficiency is virtually by definition has also a dynamic concept.

The evidence supports the idea that there is a certain degree of market power being exploited by those firms. For the case of Mexico, Laportat and Lapez-de Silanes (1998) analyzed the performance of 218 enterprises in some 26 sectors privatized between 1983 and 1991. They find that average profitability increased by 24 percent, productivity increases accounted for 57 percent of the total gains, reduction in employment for 33 percent, and prices increases for 10 percent. Overall, the evidence seems to indicate that efficiency gains are greater and faster in competitive industries. In another study of six countries in sub-Saharan Africa, Campbell White and Bhaha (1991) found on average, post-sale increases or improvements in

- Sales
- Investments
- Financial flows to government, wages and working conditions
- Capital market development and
- Innovation and new market penetration, on the Keynesian efficiency, there has been little systematic effort to study the impacts of privatization on the level and intensity of resources utilization, except labour, issues, much of the empirical work by which privatization affects the employment of resources.

**Nigeria's Economy**

Nigeria's economy inherently resides as a mono cultural based economy. It is characterized as a country with a monolithic economy due to its predominant or high dependence on a particular product or sector of the economy which is oil that intrinsically contributes to the bulk of revenue the nation expends or utilizes. This is apparently paradoxical, considering the fact that the country is naturally endowed with an abundance of varied resources that can substantially add to the nations' reserve. According to Ogege & Mojekwu (2012), Nigeria is endowed with various kinds of resources needed to place her amongst the top emerging economic of the world. It is anticipated that Nigeria should be among the buoyant and developed economies of the world due to the nature of the huge natural and human resources the country has at its disposal. But however the case of the country is that of one which is yet to experience true national development complemented with its character of an irrational over reliance on a particular export product, oil for the bulk of the nations' revenue when other sectors and resources that can contribute significantly to the nations' economy and development are residing dormant or untapped. It is interesting to note that Nigeria as a sub-Saharan African country is one of the few countries of the word that is abundantly endowed with an abundance of diverse natural resources. Despite this impressive fact, it is sad to note that a majority of it's citizens are wallowing in pervasive poverty even after 50 years of independence.

According to Okonjo Inweala (2003) about 70% of Nigeria's populace live in absolute poverty on a dollar per day or less and it is estimated that it will require an annual GDP growth rate in the order of 7% in order to have the number of people in poverty halved by 2015.

Richards (1956), defines an economy as a system by which a country's' money and goods are produced and used, or a country considered this way, to him, the importance of a sound economy cannot be overemphasized. The economy of any country is highly important to the growth and development of that country as well as the well being, which is nonetheless dependent on how effective those at the forefront of managing such an economy do so. Nigeria's economy has the potential to become one of the best economies of the world, if the resources at its disposal are properly utilized however a majority of its natural

endowments are yet to be well maximized, which the transformation Agenda seeks to work on to spur development.
Before oil was discovered and eventually explored to be exported which hitherto contributes to the bulk of the nation's foreign exchange reserves and national revenue especially after the oil boom, agriculture was formerly the mainstay of Nigeria's economy which the nation had highly depended on for its national revenue. By the time Nigeria became politically independent in October 1960, agriculture was the dominant sector of the economy, contributing about 70% of the gross Domestic Product (GDP), employing about the same percentage of the working population, and accounting for about 90% of foreign earnings and Federal Government revenue (Adedipe, 2007). However, though other sectors such as mining and textile industry were fairly active, the agriculture sector which was centered on had highly benefitted the economy. The role of agriculture in transforming both social and economic framework of an economy, can't be overemphasized.

(Anyanwu et al, 1997) emphasized that during the colonial times the agricultural sector encompassed the engagement of peasant farmers in the production of more cash crops for sale to be eventually exported to western Europe, where various Nigerian communities had actively engaged in the production of diverse food and cash crops that were cultivated then include respectively, yam, cocoa, yam, cassava which was grown mostly in the south as well as oil palm which came from the East, vast production of cocoa from the west, cotton and groundnuts from the North. Nigeria was actively involved in the exportation of these agricultural products which had initially contributed about 57% of Nigeria's GDP in 1029 where oil palm had accounted for about 85-70% of the total exports during the same period. However, during this period Nigeria's agricultural sector was still highly primitive, where the colonial masters had shown no interest or made no obvious attempt to upgrade the agricultural production technology (Anyanwu et al, 1997).
Worrisomely, since Independence, the role of agriculture has declined in its contribution to the GDP with a major instigating factor being the discovery of crude oil as well as the deteriorating performance of the sector itself. Its share of the GDP fell from 61.50% in 1963/64 to 14.63% in 1983.
The transformation Agenda via its Agricultural Transformation Agenda (ATA) seeks to resuscitate the sector. Aside the agricultural sector, other sectors such as the industrial or manufacturing and mining/quarrying subsectors had formerly contributed quite well to Nigeria's' economy. But over the years, especially following the vigorous oil exploration and exportation activities in the Nigerian economy had drifted towards focusing on for its national revenue marshaled by the over-ambitious government and instigated by the oil boom, the performance of these sectors began to decline. For example in the manufacturing subsector, as noted by Anyanwu et al (1997) the growth rate of manufacturing rose from 23.6% in 1965 to 77% in 1975 but fell drastically to 6.6% in 1980. The Nigerian mining and quarrying sector had formally specialized in the exploration of solid and liquid minerals and aside from oil, other minerals that were produced in this sub-sector include limestone, coal, cassiterite or tin ore, marble, columbite and natural gas (Anyanwu et al, 1997).

However the oil sectors dominance had markedly surpassed the contribution of other sectors to the economy of the country. The wrong over reliance on oil had apparently encumbered the development of other sectors that could have contributed to the nations development which of course had been instigated by the sleazy leaders at the helm of affairs. Many have argued that the discovery of oil was the beginning of Nigerians' problem, especially in her political landscape, where most of the politicians find themselves in a do-or die power tussle in a bid to have themselves rooted in the government in order to have passable or easy access to the dividends of the national cake, our precious oil proceeds for their egocentric, satisfaction. Though oil has been a significant source of revenue that has impressively contributed to the nation's national reserve, that nevertheless it has been argued to have stirred up the hydra-headed monster of corruption in the country which has been pervasive and that has indisputably debarred progressive national development in the country's' terrace. Therefore one can't but wonder if oil is a blessing or curse to a nation like Nigeria. Ogwu (2006) stated that the discovery of crude oil in the Niger Delta. In the second half of the fifties and its exploitation for export to earn foreign exchange led to a pathetic situation where there was a gradual abandonment of both the solid minerals and the agricultural sectors thereby making Nigeria to become a mono-product economy depending more on crude oil exports for more than 90% of her foreign exchange earnings.

Ezekwesili (2006) further argued that Nigeria leaders had a wrong sense of security or overconfidence that oil would persist in its continuous supply of revenue to spur national development, which resulted in their poor manner of initiating policies and institutions. The oil boom witnessed in the second republic lured many able bodied youths to migrate from their villages into the cities as emergency contractors and the agriculture sector was also neglected which engendered a great shortage of internal food supply whilst spurring an alternative of indulging in the high importation of food stuffs that had consumed a substantial percentage of the nations' foreign exchange reserve (Ijiomah, 2002). However albeit the government had embarked on several economic development projects with some of the proceeds generated from the oil revenue, not all of them were successfully executed. The presence of large oil revenue didn't significantly accelerate national development in the country. Despite Nigeria's oil wealth and status in Africa according to Eneh (2011) the country has been over-taken or surpassed in development by middle of 1970s' by some other developing countries that were behind Nigeria such as Malaysia, Indonesia and Venezuela as well as sub-Sahara countries that were behind Nigeria such as Cameroon, Zambia, Senegal, Ghana, Togo and Benin Republic in terms of GNP. In Goodluck Jonathans regime he initiated an Agenda to instill or promote the chances of Nigeria attaining development to a significant height tagged the Transformation Agenda; this is targeted towards improving various sectors of the nations' economy which would do well in spurring development, part of which is the objectives of diversifying the nations economic base away from a mono-product one, which has been an outcry suggested to help the country's economic development over the years, but hasn't been actualized. This research therefore in this regards would undertake an evaluation of this Transformation Agenda in light to discovering the plans embedded, the achievements so far from what has being and the challenges that have hindered or may hinder the complete realization of the appealing agenda, which would of course determine if this administrations' agenda is not just an act of mere sloganeering, but up to the task of engendering the attainment of true development Nigeria.

**ADMINISTRATIVE CONTROL AND THE PERFORMANCE OF PHCN 2011 – 2015**

The administrative control leads to non performance of Power Holding Company of Nigeria within the Nigerian power sector, principally concerning power outages and unreliable service, compelled the Nigerian Government to take radical action. It enacted the Electric Power Sector Reform Act of 2005, which called for unbundling the national power utility company into a series of 18 successor companies. Six generation companies, 12 distribution companies covering all 36 Nigerian states, and a national power transmission company. This poor performance of Power Holding Company in Nigeria paved the way for an ambitious privatization program to be carried out by the Bureau of public Enterprises hired by Transcom limited, an international consulting firm based in Ottawa, Ontario, Canada to provide advice about the best ways to move forward with the privatization of the country's' 11 (eleven) distribution companies and the 6 (six) generation companies. In 2010, CPCs transcom limited was consulted again in order to provide advice on the poor performance of Power Holding Company of Nigeria. On 30 September 2013, following the privatization process initiated by Goodluck Jonathan regime, PHCN ceased to exist. In its stead, the Nigerian Electricity Regulatory Commission (NERC) was termed the Independent Regulatory Agency, as provided in the Electric Power Sector Reform Act of 2005 and was tasked with monitoring and regulating the Nigerian electricity industry, with issuing licenses to market participants, and with ensuring compliance with market rules and operating guidelines. The poor performance of Nigeria's hitherto state controlled power sector, resulting in unstable electricity supply and frequent blackouts, has long been seen by ordinary Nigerian's as evidence of the ineffectiveness of their governments. However, the situation has not improved much since the privatization of much of the power sector in recent years, even with continued government subsidies for some users. Now, faced by dwindling income due mainly to the collapse of global oil prices the administration has the challenge of convincing frustrated electricity consumers that they must accept substantial increases in energy tariffs, if Nigeria is to achieve constant, stable and nationwide electricity supply. Over the past decades successive governments have endeavoured to tackle Nigeria's' energy deficit problem by maintaining a monopoly in power provision and pumping money into the poorly managed sector.

Since the return to civilian rule in 1999, government, have spent an average about US$2bn annually on electricity provision, but with little service improvements to show for it. However, in August 2010 the then President, Goodluck Jonathan, launched the power sector Reform Roadmap, aimed at shifting the running of power utilities to the private sector. It included the privatization of the state owned Power Holding Company of Nigeria (PHCN). And when in late 2013 almost all of the six power generation plants and II distribution companies unbundled from PHCN were eventually sold, there was high public expectation that the new owners would bring a rapid end to frequent power outages in Africa's' largest economy. There has been some improvement in recent months. Power generation reached a new peak of 5,075mw on February 3rd but current levels of supply and the overall production capacity of around 6,427mw remain grossly inadequate. For instance, my era has a lower electricity capacity than Slovakia, a country with about 3% of Nigeria's population.

It is self-evident that the poor performance of the electricity power sector in Nigeria has been a significant barrier to private investment in the country. The overall development and economic growth. The sectors market structure like most economies of developing world is dominated by the state owned power entity-power Holding company of Nigeria (PHCN) formally the National Electric Power Authority (NEPA) in a monopolistic, vertically integrated business model. The dissatisfaction with the performance of PHCN symphonized by its low capacity generation, high costs, inadequate distribution of electric power, inability to finance new or expanded infrastructure, and inadequate machinery for effective billing and collection of bills fuelled the debate on the theoretical and empirical justification for its involvement in Nigeria's electricity power sector, and became the driving force behind liberalization, by some experts in the field, to conclude that the process of reform and liberalization of a capacity; deficient electricity power sector such as Nigerians should include the following elements.

i. Mandating PHCN to operate according to commercial principles
ii. Introduction of competition
iii. Restructuring of PHCN's supply chain to enable full liberalization. This entails unbundling PHCN's business structure into several generation and distribution enterprise.
iv. Privatization of the unbundled electricity generators and distributors under dispersed ownership, to encourage private investors and operators to bring in financial resources and technical and managerial expertise to correct PHCNs' deficiencies.
v. Restricting governments role on policy formation and execution, one can say that the non performance of PHCN is due to the fact that there is no adequate administrative system. The administration has the challenge of convincing frustrated electricity consumers that they must accept substantial increase in energy tariffs if Nigeria is to achieve constant, stable and nationwide electricity supply. The poor performance of power sector is due to lack of investment for instance, in 2005, there was high power supply due to gravity of investment made in power sector but today the power sector is nothing to write about as the federal government could not manage the power sector properly.
vi. Thus, it is obvious that the private sector only quest for their own pocket and this is why the high increase in power bill with low power supply. Government brought an idea of home meter to control the consumption of power supply but due to lack of stability and indiscipline it would not go along way. Another major reason for the poor performance of PHCN is of corruption. From observation, we tend to see that our ministers embezzle our funds that are supposed to be used to purchase and maintain transformer. One can say that this poor performance or non performance of PHCN did not start now, but in Obasanjo's regime, where he 'said that money is not Nigerians problem" also Shehu Shagari who said that Nigeria is not corrupt knowing full well that one of the major reasons of this poor performance of PHCN is corruption with this, it shows the nonchalant attitude of our leaders and this is the major cause of the poor performance of power supply.

Therefore, looking at the performance of Power Holding Company in Nigeria, over the years, it is a widely held view that corruption accounts for the electricity crisis in Nigeria, but people who hold this view often fail to specify whether it is corruption that is the cause of the poor performance in PHCN. Corruption in government has actually paralyzed electric power sector in Nigeria. Households are particularly dissatisfied with the services provided by PHCN. Poor services provided by PHCN can easily be associated with the level of corruption associated in the minds of the public with it as poor billing practices which enable PHCN staff to enrich themselves by colluding with customers has encouraged illegal connections for which the corporation does not receive payments. Many people have expressed their views in writing and lampooned PHCN for its inability to provide steady power supply to Nigerian due to corruption in the organization. The real problem with the poor performance of PHCN is not capacity but alleges complicity of the marketers and distributors of generators in the electricity crunch in Nigeria. Nigerians believe that staff of PHCN has denied Nigerians steady supply at right quality of electricity, this public perception of PHCN is based on experiences of Nigerian's in the hands of PHCN staff such as collection of bribe from electricity consumers in order to ignore an offence the consumer has committed like failure to pay bill, illegal connection and illegal reconnection after being disconnected for one reason or the other, unauthorized adjustment of meter etc. unplanned and unauthorized transfer from one line to another which often leads to over leading of a transformer and its subsequent break down etc.

Also the poor performance of PHCN is largely that of inadequate trained manpower to man the available infrastructure. It is in this basis that we validate our earlier hypothesis that executive control seriously undermines the performance of PHCN within the period under study.

**PRIVATIZATION AFFECTS THE DEVELOPMENT OF PHCN IN NIGERIA ECONOMY**

Just as defined earlier, privatization is the transfer of ownership and management of enterprises concern to private investors. However, whichever angle one sees it, privatization have both positive and negative effects on the economy as well as on the individuals. The national economy has been in a stage of structural adjustment since 1986. The foreign exchange market, the abolition of the marketing and the import licensing scheme, the deregulation at interest rates and wages and recently, the privatization of public enterprises are the institutional framework of the structural adjustment programme. The impact of which are expected to bring about fundamental change in the operation of the national economy.

The electricity industry is expanding at a very big rate and it is imperative that adequate attention be given to the industry by planning ahead, such a vision is relevant to the future of PHCN and socio-economic development of Nigeria. The power demand of the nation has been fully met although there had been some problems in some lead shedding system disturbance in the national economy. Enormous investments are required to extend electricity supply to all part of Nigeria so as to enable large percentage of the people to enjoy this important amenity. This of course is a big challenge to the electricity corporation to ensure that every development checks urban drift and reduce the utilization of firewood as a source of energy. Improvement in power generation and transmission is vital to PHCN if it is to provide services effectively to its customers. Some of the positive effects of privatization according to Ugbo (2008:197) are

i. Reducing or better still, removing the source of wastage of money. Money being spent on these enterprises will then be used in other areas that can improve the standard of living of the people.
ii. New and foreign investment and technology can be attracted to the country.
iii. An efficient running of the enterprises will lead to expansion and growth of the enterprise and also, money realized from the sale of the enterprises may be used for other developmental projects. Some of the negative effects of privatization are

i. **Jobless**: It is feared that the sale of public firms will aggravate unemployment problems.
ii. **Price Hike**: The privatized enterprises in trying to operate like private companies will equate efficiency.
iii. **Foreign Domination**: Privatization may make a country lose its political independence, especially if the ownership of the enterprise should go to the foreigners directly or indirectly.

iv. **Income Disparity**: Privatization is capable of promoting inequality among the citizens because when viable government firms are sold, the profits go to enrich investors who tend to be wealthier than the average taxpayer.

In addition for several reasons, such as the small of the private sector, or for the so-called security reasons' the development process had been largely dominated by the public sector. Available evidence suggests that this public sector dominated process has not achieved the desired impact over time, prominent among which is the lack of an inclusive framework on the consequent alienation of the people from the public policy process. This coupled with recent development in the globalizing world, have precipitated the clamor for comprehensive national economic reforms that will facilitate more efficient macroeconomic manage and thereby steer the economy back on to the path of sustainable growth and development. The privatization of state owned enterprises (50%) is the major strategy for obliterating the culture of public sector domination of the economy. Nigeria is committed to following the footsteps of several countries that have embarked upon the privatization of the national economy.

If privatization was sufficiently extensive and had efficiency including effects, then the contribution of improved performance could be detected at the macroeconomics level, privatization would reduce crowding out and provide more credit to the private sector. It would increase the opportunities for investment in newly privatized enterprise by releasing them from the capital constructions previously faced by wider public ownership. A change to the government, mechanism and structure of incentives facing employees. It was argued that the effect of a change in ownership from public to private could improve economic efficiency, and our time and increase in investment.

Furthermore, the positive effect of privatization is that, privatization has helped companies to use stock market price as a performance yardstick. Competition encourages efficiency by allowing consumers to purchase from lowest cost and thus, it helps in achieving production efficiency by encouraging firms to minimize cost by lowering costs, they are able to increase profits and raise incomes of mergers and the remaining workers if their pay is related to corporate performance. Greater information transparency has been achieved due to privatization of state owned enterprises.

The Power Holding Company of Nigeria, PHCN, has made settling customers monthly electricity bills easier, hence the introduction of the bank revenue collection system to complement the operation of the cash offices in PHCN premises. This program facilitate prompt and regular settlement of the PHCN monthly bills, as customers are no longer expected to travel far outside their immediate neighborhoods to settle PHCN bills. Privatization can have a positive secondary effect on a countrys' fiscal situation. As earlierly discussed, privatization should not be used to finance new government expenditures and pay off future debts. Instead, privatization enables countries to pay a portion of their existing debt, thus reducing interest rates and raising the level of investment. By reducing the size of the public sector, the governments reduces total expenditure and begin collecting taxes on all the businesses that are now privatized. This process can help bring an end to a vicious cycle of over borrowing and continuous increase of the national debt (Poole, 1996).

Along with creating incentives, privatization gives ownership to a large percentage of the population. Given the level of established property rights, individuals become more motivated and driven to work on and invest in their property since they are directly compensated for their efforts, privatization leads to increase in foreign investment which can potentially play a significant factor in the quest for national development.
Privatization had created a lot of anxiety, suspicious and expectations among Nigerians while others are canvassing for its implementations, some have faulted the process of the implementation programme.

According to El-Rufai former BPE Director General and now minister of Federal Capital Territory (FCT). The programme would ensure the inflow of investment, management and technology that would improve and grow the nations infrastructure service and industries for the benefit at the people. In essence

privatization should be encouraged and also privatization policy is a good variable in controlling Nigeria Economy.
Having examined and analyzed the second research question that seeks to know if to what extent privatization has affected the development of PHCN contribution to Nigeria economy, we thus, validate the second hypothesis that privatization has affected the development of PHCN contribution to Nigeria economy with the period under study.

**Findings**

Privatization has impact on the economic growth and development process of any nation. Also, 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 of bringing fundamental structural changes by formalizing the establishing property rights which directly creates strong individual incentives.

The benefit of privatization is that it reduces public debt and the cost of capital maintenance with reduction in the "debt burden" developing countries like Nigeria could allocate their scare funds to oil production areas instead of applying them to the servicing of debts which does not in any way contribute to capacity utilization, capital accumulation or encourage any definitive reforms.
Therefore privatization in Nigeria has helped to reduce the rate of embezzlement in power sector, yet has reduced the productivity of power sector in Nigeria.

**Conclusion**

Since the inception of the programme in Nigeria, the power sector have been struggling to survive due to the issue of embezzlement and inadequate management from the public sector or government. Privatization was enacted for both private and public contribution for the development of the power sector. The case of the economy growth have not been an exception due to effects of inadequate management of power sector in Nigeria. Also the non performance of Administrative control in power sector result to inadequate economic growth which is a product of inefficiency and mismanagement of funds in the public sector, even with ownership to the private sector, the power sector is still suffering.

**Recommendations**

These are the following recommendation being suggested:

1. The government and private enterprises should work together in restoring high level of ethical standard in order to set laws and rules which will guide the workers in different power sectors in other to reduce the rate of embezzlement in Nigeria.
2. The Federal Government should set up and finance a strong and formidable monitoring and evaluation committee to monitor the post privatization performance to the privatized enterprises.
3. The establishment of agency that should regulate the activities in the power sector.
4. In order to reduce its effects in economic sector the government should set some individuals to monitor the activities in power sector, in order to meet up to the needs of the citizens.
5. Adequate transformers should be distributed to different areas and local government with an individual or agency to maintain the rate of power supply.
6. To avoid the pitfall of having to deal with unemployed persons that may result from the exercises, the government together with private sector should set up an age for appointment and retirement and should keep up to it, in order to create room for young bright citizens to be employed.

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