

Reforming Public Enterprises in Nigeria Through Good Governance

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Abstract

Man's hypocrisy has taken and occupied prominent position as a significant disincentive to government. Most of the Nigeria's public enterprises suffer the problem of inefficiency, ineffectiveness and loss of profits. It is the bid to make these public enterprises profitable, increase efficiency and perform satisfactorily that forced both the government and general public call for their privatization and commercialization. This study seeks to identify the retrogressive forces generally responsible in the shortfalls of ingredients of good governance towards contributing to reforms in the public enterprises in Nigeria. The study adopts a qualitative contents analysis by which the researchers developed themes, theoretical and empirical studies relevant to public enterprises, good governance and administration gleaned from text books, journals, the internet and other publications. The findings revealed that government is conscious of national security and there is the need to protect the consumer which may not be of interest to the private sector, the current crisis of development in Nigeria is attributed to poor governance. The study recommended that governance should be observed in the spirit of truth, justice, morality, discipline and that of responsive enlightenment.

Keywords:

Public enterprise,
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Background to the Study

The World Bank (1997) noted that bad governance has many features, among which are failure to make a clear separation between what is public and what is private, hence a tendency to divert public resources for private gain, failure to establish a predictable framework for law and government behaviour that is conducive to development or arbitrariness rules, regulations, licensing requirements among others which impede the functioning of markets and encouragement of rent seeking; priorities that are inconsistent with development, thus resulting in misallocation of resources. Onah (2006) contends that government intervention in business in any capitalist economy is to maintain the principle of price competition by promoting entry of enterprises into the industry. This will eliminate cheating, fraud, monopoly and discrimination. In the case of the mixed economy, government involvement is based on the idea that most of the essential services the individuals need are costly that left for them, these individuals could not produce and provide them.

Also, it aims at avoiding unnecessary proliferation of some of these essentials services such as water, electricity supply, and indiscriminate construction of roads and airports. It also tries to maintain a fair distribution of social services by collecting from the rich and giving to the poor through taxation, grants and subsidies. The advocates of government participation base their arguments that some goods that are regarded as public goods such as water supply, electricity supply, and roads should not be left in the hands of the individuals alone but should be taken care by the government. This gives rise to a welfare state ideology of the government and the more a state is able to provide to every one of its citizens. The minimum guarantee for material welfare such as medicare, education, housing among others. State welfare is based on the idea that each individual is a human being and as such is entitled to a fair share of welfare, his lack of possession of the financial resources to support and secure it notwithstanding. Nnadozie (2017) observed that man's hypocrisy has taken and occupied prominent position as a significant disincentive to government. Such anti-development traits of man have been attributed to major reason why the vices of graft, greed, embezzlement, fraud, bribery, falsification of account or record, public account diversion, dishonesty, abuse of office among others are increasing instead of abating in Nigeria despite the emergence, operations and efforts of the anti-corruption agencies put in place to ameliorate these ugly situations.

Onah (2006) also noted that most of the Nigeria's public enterprises suffer the same problem of inefficiency, ineffectiveness and loss of profits. These inefficiencies are managerial, operational, financial and unsatisfactory services to their customers and the general public. It is the bid to make this public enterprise profitable, increase efficiency and perform satisfactorily that forced both the government and general public call for their privatization and commercialization. In this regard, the objective of this study is to identify the retrogressive forces generally responsible in the shortfalls of ingredients of good governance towards contributing to reforms in the public enterprises in Nigeria.

Literature Review

Public Sector

It has become conventional to use the term public sector, public welfare/service/benefit and public enterprises interchangeably. Public sector refers to those organizations that are principally established to make money for the government, and to operate like any other business. That is, the aspect of public sector that is called public enterprises (parastatals) (Eboh, 1999). This ideologies prompted the Nigeria government to establish some public enterprises and parastatals such as the National Supply Company (NSC), Nigerian National Petroleum Corporation (NNPC) among others. As the demand of the citizen's increase and diversify, the governments thought it wise to expand these enterprises and create more to meet these public needs.

Reasons for Establishing Public Enterprises

Ifekwem and Adigun (2011) stated that public enterprises are created for the following reasons:

- i. Inadequate resources for development; in developing countries like Nigeria, resources available to the private sector are not adequate for development. Enabling environment like electricity, water, roads among others are quite capital intensive for private enterprises since the return of such investment will take a long time to realize.
- ii. Government has intervened in the provision and management of goods and services in many parts of the world, which leads to the fact that no person should be permanently deprived of the access to such facilities because of lack of finances or by reason of geographical location.
- iii. Political considerations influence governmental involvement in the provision of certain social and economic services. Consequently, the performance of the government, in many of these countries, is evaluated on the basis of its ability to provide different type of public services in areas where such services do not exist.
- iv. There is a need to protect the consumer which may not be of interest to the private sector for example; government intervenes in the provision of education in many countries to protect children, who are not capable of making important decisions for themselves, by making education up to a certain level free and compulsory.
- v. Government intervenes in the provision of certain goods and services due to the indivisibility that characterizes such services. Such facilitates such as bridges, tunnels, roads, street lights and waste disposal facilities cannot be divided or partially provided. Either streetlights are provided for the benefits of everybody in the community or they are not. Facilities of this type must therefore be provided publicly and financed through taxation.
- vi. Government is conscious of national security, therefore certain facilities such as the national ports authority and the police are too vital to be left at the mercy of private citizens.

Poor Administration of Public Enterprises and its Resultant Effect

Ibrahim and Ahmad (2017) observed that social infrastructure in health, education and transportation sector were in shambles, basic social amenities such as potable water and

electricity because scarce, rural-urban drift increased and with it came crime and insecurity. While Rogers and Zerihun (2008) highlighted the following reasons as the basic reasons for inefficiency in public sectors:

- i. One reason responsible for lower efficiency is lack of incentives for managers to perform because they are poorly monitored. It can in turn be attributed to the principal agent problem. Managers resort to empire building in organization especially when there is loose control. They instead of pursuing the goals of the organization will look for inflated salaries executives cars, and luxury apartments at the cost of organizational profits.
- ii. Government's business is everybody's business in public enterprises, the concept of ownership is always lazy and diffused. There is hardly any difference between public and government when it comes to their operation. Both suffer from poor systems to ensure accountability and responsibility. Government, the promoter often has social as well as commercial considerations. Public sector units are often not able to balance those two objectives.
- iii. The shares of public sectors firms are not freely traded, therefore, the threat of hostile takeovers is minimal. Protection from such threats is also ensured by various laws and government policies enacted for the purpose.
- iv. In public enterprise, the property right is not assignable to private individuals or groups. This results in inefficient use of valuable assets as responsibility or rights cannot be pinpointed to any specific individual or groups. To a great extent, this can be attributed to diffused nature of ownership.
- v. In public enterprise there is no fear of bankruptcy, this stems from the fact that government provides a "soft budget" for the public sector units. So the question of repayment of principal and interest is not a concern which in turn will result in the utilization of funds in a less efficient manner.
- vi. Managers in the public sector might lack focus because they are expected to pursue a variety of objectives, not all of which are calculated to maximize profit. Multiplicity of objectives arise from the fact that public sector managers are answerable to different constituents such as legislators, civil servants and minister each with its own objectives.

Ogundiya (2009) observed that "corruption is a huge challenge in public administration in Nigeria. It is at the core of crisis of government and legitimacy, the establishment of stable democratic order, rule of law, development and the welfare of citizens. Of all forms of corruption, political corruption has posed a major obstacle to national progress in Nigeria" indeed, the current crisis of development in Nigeria can be attributed to a history of poor government characterized by corruption, social injustice and political instability.

Good Governance

The terms good governance has very broad connotations. It is not necessarily defined in any written law. The closest description is as contained in chapter 2 of the constitution of the Federal Republic of Nigeria which provide for fundamental objectives and that the state should aspire to in order to attain good governance. In addition, and in particular,

section 4(2) and 14(2)(b) of the constitution provides that: the National Assembly shall have power to make laws for the peace, order and good governance of the federation or any part thereof... and section 14(2)(b) of the constitution proclaims that the security and welfare of the people shall be the primary purpose of government. This means that good governance is associated with the power to administer state resources, to guarantee the basic needs of the people. It involves the responsibility and responsiveness of public officials to govern in accordance with democratic tenets. Adedeji and Ayo (2000) noted that is a continuous process through which conflict or diverse interest may be accommodated and comprehensive action taken. While the Commission on Global Governance (1985) pointed out that government is the some of the variety of ways individuals and institutions, public and private, manage their common affairs. It involves the whole gamut of organizational effectiveness, policy formulation and implementation. All these are geared towards socio-political growth, macroeconomics stability and the public good (Akani, 2017).

Good governance is directed towards meeting the people's needs and guaranteeing their human security. Hence, some of its essential traits include:

- i. Managerial and organizational efficiency.
- ii. Strict observance to rule of law and popular participation.
- iii. Effective seal setting and public accountability leading to effective governmental performance (Vinod and Deshpande, 2013).

Dogara (2016) in his analysis remunerated what he termed as the key principles of good governance in the public sector, and argued that the function of good governance in the public sector is to ensure that entities act in the public interest at all times. This, among others include: strong commitment to integrity, ethical values and the rule of law; and openness and comprehensive stakeholder's engagement. In addition to the requirements for acting in the public interest, good governance in the public sector also requires; determining the interventions necessary to optimize the achievement of intended outcomes; developing the capacity of the entity, including the capacity of its leadership and the individuals within it; managing risks and performance through robust internal control and strong public financial management and implementing good practices in transparency and reporting to deliver effective accountability.

Sayuti (2016) pointed out that good governance could generally be described as governance that meets or satisfy the yearnings or need of the people in terms of development and welfare. Good governance has also been defined as the process of allocating resources through the instrumentalities of the State, for the attachment, decision making process, policy formulation and implementation capacity, development of personnel information flows and the nature and style of leadership within a political system. Hence governance is largely about problem identification and solving (Ilufoye, 2010).

Theoretical Frame Work

This study hereby adopted these theories:

The prebendalism and clientalism theory:

According to the theory of prebendalism, the State Officers are regarded as prebends that can be appropriated by office holders who use them to generate material benefits for themselves and their constituents and high groups (Mikail, 2012).

Clientalism on the other hand assists to understand the mechanism of (how) class control legitimizes the lopsided distribution of the resources among social groups and enhances the State of political elites (Seteoly, 2005 quoted in Ogundiya, 2009).

Based on these theories Mikail, (2012) noted that funds earmarked for intensive capital projects towards executing some development projects are siphoned and misappropriated for the self-environment of a few group of undesirable elites and their cronies to the detriment of the populace and national development.

Empirical Study

Edoun, (2015) study the impact of government of state owned enterprises (SOEs) in Africa. The study used the case of Cameroon and selected seven SOEs that were included in the Structural Adjustment Programme (SAP) imposed by International Monetary Fund (IMF) and the World bank (WB). These SOEs were privatized and the researcher managed to interview employers who lost their jobs as a result of the privatization imposed by the structural adjustment measures that were implemented by Cameroon in 1990 and 1994. The findings revealed that the programme for the privatization/restructuring of public enterprises was ambitious, beside the fact that a number of projected strategies were not implemented. The study recommended that during the SOEs reform process, it is imperative that the process of decentralization be taken into consideration through the privatization process and the policy of privatization should be designed in such a way that it takes into account the interest of the people first.

Juiz, Guerreru and Lera (2014) carried out a research on implementing good governance principles for the public sector in information technology governance frameworks. The objective of the paper is to show how IT governance frameworks may contribute to the general implementation of the principles of good corporate governance, particularly at public sector.

The researchers reviewed the corporate governance maturity for the IT assets at University of the Balearic Island (UIB) during the governing period as delegate of the Rector for New technologies (2007-2010) and Vice Rector of information technology (2011-2013), respectively. The findings revealed that dFOgIT not only implement easily the guidance in ISO/IEC 38500, that each organization adopting the standard needs to design the detailed adoption approach to suit its own situation and characteristics, but also matches with the orientation of the key principles of general governance. The study

pointed out that IT can promote good governance in three basic ways: increasing transparency, information, and accountability, facilitating accurate decision making a public participation; and enhancing the efficient delivery of public goods and services. The study concluded that publishing dFOgIT framework, and their corresponding IT governance instruments, in the UIB public website, increased considerably the openness of the decision-making results and processes that were opaque to all stakeholders before implementing this IT framework.

In this regard, the researchers of this study did not come across available research on record relating public enterprises and good governance in Nigeria. Therefore, this study hopes to point out ingredients of good governance towards contributing to reforms in Nigeria public enterprises.

Methodology

The study adopts a qualitative contents analysis by which the researchers developed themes relevant to public enterprise, good governance and administrations gleaned from text books, journals, the internet and other publications.

Results and Discussions

From the forgoing reviews this research has made the following findings:

- i. An integrity system embodies a comprehensive view of reform, addressing issues in the public sector through government processes and through civil reforms.
- ii. Most of the Nigeria's public enterprises suffer the same problem of inefficiency, ineffectiveness and loss of profits. It is the bid to make them profitable, increase efficiency and perform satisfactorily that forced both the government and general public call for their privatization and commercialization.
- iii. As the demand of citizen's increase and diversify, the governments thought it wise to expand these public enterprises and create more to meet public needs.
- iv. Government is conscious of national security; therefore, certain facilities are vital to be left at the mercy of private citizens.
- v. Good governance is associated with the power to administer state resources, to guarantee the basic needs of the people.

Therefore, good governance is expected to be observed in the spirit of truth, justice, morality and discipline and in that of responsive enlightenment. It is whole heartedly devoid of greed, dishonesty, thievery, lies, deceit, manipulation, sectionalism and a blind omniscient swagger to yield good governance.

Today, the modern government requires accountability. Without it, no system can function in a way, which promote public interest rather than individual or private interest of those in control of government power. In this regard, integrity system facilities coherent and monitored reforms. The primary emphasis is on reforming and changing systems rather than on blaming individuals. In trying to find solutions relating to public obstacles in SOEs reform, the WB (1995) revealed that three conditions should be taken into

consideration for successful reform, these must be related to political desirability, feasibility and credibility. Once these conditions are effectively considered, the reforms become efficient and SOEs could start playing its development role effectively. This means that community leaders could now be represented in decision making process that concern the wellbeing of the community that they lead. But reinventing public enterprises necessitates robust and progressive strategies that are capable of drastically changing the role of public enterprises. Reinventing public enterprises in any country should begin with a comprehensive performance review and the formulation of a government strategy for reform. Government are unlikely to be successful in restructuring public enterprises unless they develop a strategy that sets out a clear vision for how state-owned enterprises are expected to contribute to development and defines clear mission and performance criteria for each public enterprises.

Conclusion and Recommendation

Reforms are usually adopted as a result of failed policies and strategies that were unable to meet goals set by government department. This failure is usually attributed to the lack of quality management, transparency and accountability which are the fundamental principles of governance. This calls for a prudent management of resources that requires effective collaboration of the leadership and the followership. It is not only concerned with development, but one that encompasses all the social activities of the people, and can be sustained from one epoch to the other. Therefore, this study recommended that the civil society organization CSOs and the religious bodies should collaborate toward organizing seminars or workshop on transparency and public accountability. Governance should be observed in the spirit of truth, justice, morality, discipline and that of responsive enlightenment.

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