

**THE ROLE OF PUBLIC ENTERPRISES IN ECONOMIC AND
SOCIAL DEVELOPMENT IN NIGERIA.**

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Abstract

Public enterprises are mainly government owned business organization charged with the responsibility of providing service that are of public interest. One of the motivating factors for establishing public enterprises in Nigeria is to facilitate social and economic development in sectors that are not considered expedient for private sector investment by foreign and local investors. It is believed that the role of Nigerian public enterprises were compromised in many instances leading to inefficient utilization of resources by public enterprises coupled with heavy dependent on the national treasury for financial operations and their activities characterized by mismanagement of funds and operations, endemic corruption, misuse of monopoly power and bureaucratic suffocation from supervisory ministries and its inability to enhance the social and economic well-being of the people which no doubt placed government under tremendous pressure to initiate various economic reforms with privatization as one of such reform programme as panacea to public enterprises quagmire. The paper adopts quantitative-descriptive method of data collection and analysis from the various scholars. It is against this problem that the paper attempts to x-ray the role of public enterprises within the premise of economic and social development and recommends that Public Corporation should be more productive and efficient, there is need for government to be more transparent and cautious in the exercise so as to avoid exploiting the masses by some few capitalists. and also they should be detached from the civil services, the workers of Public Enterprises should be provided with more incentives like their counterpart in the private sector, lastly, Government should also make more funds available to public corporations to enable them procure necessary equipment and spare-parts.

Keywords: Public enterprises, Economic, Social Development.

Introduction

Public enterprises in Nigeria dated back to the colonial period when the colonial government established some public enterprise to provide essential service like, Electricity, Railway, Water, e.t.c. Among the earlier public enterprise in Nigeria are; Nigeria Railway Corporation (1955), National Electric Power Authority (1952), Nigeria Produce Board and Development Board (1950) among others. The post independent era marked a phenomenal increase in the growth and spread of public enterprises. This is because; the Nigeria policy formulators have resorted to the use of public enterprises as a viable instrument for implementing development programmes (Ademolekun 2002:33). At independent Nigerian Government has always been an active player on the Economic scene. It has been investing directly in all strategic areas of economic activities, the low capital formation capacity of the private sector. In the 1970s, the reconstruction and development efforts as the aftermath of the civil war that led to an increase level of Government involvement in economic activities, such that on 31st December 1983 the Federal Government was in no less than one hundred and ten (110) Enterprise spanning from Transportation, Aviation, Shipping, Oil vehicle assembly and many others, these enterprises were established at the rate of seven point eight billion (N7.8B). The result was that by the early 1980's Nigeria's public enterprises sector had become one of the largest in Sub-Saharan Africa.

According to Lewis (1990) there were about 275 and more than 600 federal and state owned enterprises, respectively. These contributed about 35% to the Gross Domestic product (GDP) and 500,000 work force representing one third of the public sector employment and almost 22% of total employment in the formal sector of the economy. (Ake, 1981). See, indigenization policy of 1972 as enacted by the Nigerian Enterprises Promotion Decree, as one of the factors that accelerated the growth of public enterprises in Nigeria. It was designed to control the commanding heights of the economy by Nigerians not foreigners as was the case previously. The policy further provided the much needed legal basis for extensive government participation in the ownership and control of significant sectors of the economy (Adeyemo, 2005). See, public enterprises from inception were established through the instrumentalities of the application of state power to fill an observed vacuum in the economic development of the country.

Decades after independence the Nigerian government has continued to run this Public Enterprises for other socio-political and economic reasons other than those adduced shortly after independence in 1960. Some of the reasons of the federal government has continued to run PEs include the shortage of local capital for expansion and technological improvements; control of the commanding height of the economy by government to prevent a few elites from enriching themselves at the expense of majority of Nigerians; correction of market failure resulting from monopoly and misallocation of public resources; facilitating regional development through location of Public Enterprises and their branches and job creation and provision of social services. One major implication of the enlarged public sector presence in the economy was that the mixed economy in Nigeria was substantially balance in favour of the government. Government thus dominated and contributed enormously in the economic activities of the country. Expectedly, actions and inactions of government impacted seriously on all facets of the economy. This was true both in government's revenue resources and expenditure patterns.

The second implication of the bloated presence of government in the economy was that the numerous enterprises made huge financial and material claims on government resources. The great size became so extra ordinary than in 1986, the federal government openly acknowledged that about 40% of non-salary recurrent expenditure and 30% of its capital budget had gone to support investments in public sector enterprises estimated at N23 billion (N8 billion equity and N15 billion in loans). This even excluded the state and local government owned enterprises. One single most important and unfortunate factor in the Nigerian public sector investments was the little returns on investment.

Conceptual Framework Public Enterprises: -

Maiwada(2018) see public Enterprise as an organization that is set up as a corporate body and as part of the government apparatus for an entrepreneurial objective. Ademolekun(2002), view public enterprises as the organization that emerged as a result of government acting in the capacity of an entrepreneur. In not shell, public enterprises are mainly government owned business organization charged with the responsibility of providing service that are of public interest. In Nigeria, public enterprises include; Universities, Nigerian railway Corporation, Federal Radio Corporation, Nigeria Television Authority (NTA), etc. each of these organizations is established by the government, hence the extent of their operation and ownership of property are subject to control by the government.

Economic: - economic is a social science that study human behavior and that attempt to maximize their satisfaction out of the available resources. Robins (1981) see economic as a science that study human behavior as a relationship between end and scarce means, which have alternative uses.

Development: - In this light Chandler (2007) sees development as a broader concept that recognizes psychological and material factors that measure human well-being. Development therefore is a multifaceted phenomenon and man centered. It is the process of empowering people to maximize their potentials, and develop the knowledge capacity to exploit nature to meet daily human needs (Rodney, 1972; Nnoli, 1981; Ake, 2001).

Social Development: - Development in this context consists of creating an economy with relevant social, economic and physical infrastructure for business operations and industrial growth, to provide gainful employment, high level education facilities and medical care of the people, Kufour (2012).

Public Enterprises in Nigeria.

There are many public Enterprises in Nigeria. Nigeria Federal Government has about six hundred (600) enterprise in various sector of the economy (Ademolekun 1983). Playing key roles in the Economic Development of the country. There were quite a few existing enterprises before independence and many more have come into existence after independence, with several changes in government. Many enterprises were created, restructure, re-designate with reduce scope and role and many more were fizzled out. All these reflected the policies of the government of the day. Many state and local government have set up enterprises for various reasons.

A justification for the proliferation of public enterprises in Nigeria can be found in the National Development Plan of 1970-1974 which stated that:

“What Nigeria lacked most in the past has been a National sense of purpose, particularly in economic matters. The Federal Government will therefore occupy the commanding heights in the quest for purposeful National Development and provide leadership and honest administration necessary for the attainment of a National sense of purpose. Government intervention in economic matters designed primarily to protect and promote public interest is therefore fully justifies”.

The Nigeria Public Enterprises were mainly set up to accelerate the economic growth of the country as follows.

- They stimulate and accelerate National Economic Development.
- They are established where the capital out lay require for an investment are not available or easily available in the private sectors.
- Due to political and strategic reason's some enterprises are established and solely run by the government.
- It's important that to obtain political leverage, the Government has to assets economic independence; one way of achieving the better way is the establishment of Public Enterprises.
- As a corollary to the above, Public Enterprises are instruments of National policies.
- Public Enterprises provide social services, producing goods and services at affordable price and rates to the generality of the population.
- Some public enterprises play a regulatory roles in the economy and hence their use by the government. A great many others are involved in infrastructural Development.

Classification of public enterprises in Nigeria:-There is a no generally acceptable classification of public enterprises. However, Ademolekun (1983) and Laleye (2002) have given a classification that is quite acceptable to some scholars which i adopted in this paper. The classifications of public enterprises are as follows.i) Industrial and or commercial enterprises,

ii) Social service enterprises and

iii) Economic enterprises.

i) Industrial and or Commercial Enterprises; has the sole aim of making profit for itself and for government. Examples include, Textile industries, Nigeria port Authority, Nigeria Rail-way, Corporations, N.A.C.O, NITEL, e.t.c. they stand on their own without government subvention. They should have the capacity to raise funds on their own and be ready to remit the money to the government known as "independence revenue" (Laleye 2002)

ii) Social service enterprises; are mean to cater for the social needs of the society. Their main motive is not to make profit but to provide essential service to the people. They also depend on government subvention to survive, eg Water Board, Federal Medical Centre's and N.T.A, etc.

iii) Economic enterprises; are enterprises that exist to deals with commodities, e.g Agricultural Commodities Board. They also serve to regulate price of commodities and they are regulatory in nature. They also organize and control production, market distribution. They are sometimes refers to as regulatory authorities, licensing authority, can also regarded under this economic enterprise, eg export promotion council.

Role of Public Enterprises in Economy and Social Development in Nigeria:

Nigeria like any other developing nation favoured mixed economy pattern. In these types of situation, Public Enterprises is either that of partnership or competition, sometimes the areas of activity of the two are defined and sometimes left ambiguous. However, the meaning and the role of Public Enterprises is difficult to define under mixed economy system (Obikeze & Obi 2003). Added dimension is the National Development Planning adopted in developing countries including Nigeria. The nature intent philosophy and methodology of National Planning are crucial determining factors in the operation of Public Enterprises in Nigeria like any other developing countries. This is because the establishment, growth, investment and managerial objective of Public Enterprises are integral part of National planning were by the enterprises are viewed as executor of National Planning strategies.

Historically, the share of Public Enterprises in economic life and development activities of Nigeria seems to be predominant at independence due to strategic, ideological and environmental considerations. This trend had been gradually reversed due to the economic recession which began in 1980s and led to the privatization syndrome. However, Abdullahi Muktar(2018) summarized the major functions of Public Enterprises in Nigeria as follow;

- a. Provision of social and economic infrastructure
- b. Banking credit and insurance service
- c. Industrial development, commerce and manufacturing activities
- d. Agricultural and regional development and
- e. Social and cultural development.

a. Provision of Social and Economic Infrastructure.

Social infrastructure includes health, housing, education and portable water, while the economic infrastructure are electricity, telecommunications, postal services, port and harbours, rail and road transportations; Nigerian Government ventured into these areas because the private sector was unwilling and unable to mobilize the huge capital required for the establishment of such economic infrastructure. In addition, the entrepreneurial ability for such venture is real among the private sector. And sins those Public Enterprises providing social and economic infrastructure is for the good life of the citizens and as part of the social extract between state and citizens, they involvement of government in them is in order (Abdullahi 2018).

b. Banking Credit and Insurance Services.

With the early 1970s indigenization policy in Nigeria Banking Insurance and related activities became Public Enterprises Activities. Before them, these activities were monopolized by foreign controlled private organizations, with the implementation of the indigenization decree of 1972, 60% equity participation for Nigerian become a low, which was transferred to the Public control. These financial and related institutions are involved in the transfer of financial resources towards development programmes and projects. In addition, government established credit finance and insurance institutions to assist in areas such as Industry, Agriculture, export promotion, small scale industries, manufacturing, commercial merchant and central banking. Such organizations include:

1. The Central Bank of Nigeria (CBN)
2. The Nigeria Agricultural and Co-operative Bank (NACB)
3. The Nigeria Bank for Commerce and Industry (NBCI)
4. The Nigeria Industrial Development Bank (NIDB)
5. The Nigeria Export-Import Bank (NEXIB)
6. The National Insurance Company of Nigeria (NICON)
7. Commercial Banks such as Lobi, Trade, Lion, Union, Banks etc.

On the whole, these institutions provide financial assistance to private individuals and organizations for instance NACB give loans to small-scales farmers and co-operative societies so do some commercial banks. The nexus finance exports in form of direct loans and guarantees to exporters in collaboration with commercial banks as well as financing of medium export credit and operation of foreign lines of credit for import of capital goods and services. In addition, the NBDI and the NIDB offer loans to Nigerian business men at conventional rates of interest.

c. Industrial Commercial and Manufacturing Activities.

These Industrial Commercial and Manufacturing Activities concerns are directly involved in the production and sale of goods and services. A substantial of such industries are agro-based providing inputs to agriculture and using agricultural products as inputs for industry. Some of these industries include textile, tobacco, vegetable oil, brewing and confectionary like, cement, tiles, burnt bricks, iron and steel mills hip and boat building, car assembly plants among others. The Nigerian National Supply Company (NNSC) established in 1970s as well as hotel and catering service carried out the Commercial activities.

d. Agricultural and Regional Development

The merging together of agricultural and regional development, here is base on the fact that in Nigeria, the regional development agencies of the 1940s and 1950s made agricultural development a priority with the creation of producing marketing boards-under this heading is the establishment of River Valley Development Authority with the dual purpose of developing backward areas as well as boosting agricultural production. There was the establishment of Agricultural Development Projects (ADPS) in various states with the assistance of United Nation Development Programme (UNDP).

e. Social and Cultural Development

When a society experience higher education, access to better housing and health facilities, and also has recreational opportunities through sports, arts and music, Social Development is said to have occurred in the same vein, Cultural Development could be define as improved way of life in terms of recreation music, clothing, religious beliefs as well as communication. Therefore, due to the fact that Nigerian government is aware of the supportive role a society and culturally developed society plays in the economic development, they have paid attention to them through the establishment of relevant public enterprises. Such enterprises include, radio and television broadcast, construction and maintenance of stadium and museums, print media, telecommunications, housing facilities, which has a bearing on social-cultural and development with mortgage bank and scholarship board (Muktar 2018).

Challenges Facing Public Enterprises in Nigeria

Available evidence shows that the performance of public service in virtually all tiers of government in Nigeria has remained very dismal, hence the present state of underdevelopment, the dismal performance of public enterprises, like the former National Electric Power Authority (NEPA) and the Nigerian Telecommunication (NITEL) is very obvious in this regard. In Nigeria many public enterprises operate under a business environment which is unique and distinct from that of the private sector which is in the same line of business. The business environment of the public enterprise could be that of a monopoly or it could operate in a competitive environment. For instance, shortly after the privatization of the telecommunication sector NITEL/MTEL operated alongside other GSM companies such as MTN, GLO and ECONET. Also state-owned banks such as National bank, Cooperative and Commerce Bank (CCB) etc. operated alongside other privately owned banks before they went into liquidation. Some of the challenges facing public enterprises include political interference, poor management, political instability, and control by government poor attitude to work by staff, financial mismanagement and poor funding. Political interference: Emeh (2012) observed that public corporations have several problems which can affect the quality of their goods and services. In fact, most public corporations in Nigeria cannot compete effectively with private companies engaging in the same line of business.

Political Interference:

Public corporations are government companies and sometimes the government and important government officials make them do things that may not be in the overall interests of the corporation. For political reasons, they can force the corporation to employ persons that are not qualified for the job or embark on projects that are of no real value to the corporation. Sometimes, the government corporations are forced to donate money to the ruling party for elections and other purposes. Such interference in the affairs of the corporation by the government and politicians will necessarily affect the efficiency of the organization. Political interference in the affairs of public enterprises has ruined many public enterprises in Nigeria (Anyadike, 2013).

Political Instability:

Instability in the political system occurs when the government of a state changes too frequently and unexpectedly. Every new government wants to appoint its own representatives to the boards of government corporations. These constant changes in the policy-making body of the corporation lead to inconsistent policies. Constant changes can also lead to delays in the completion of projects or unnecessary changes in projects already embarked upon. Some projects in which huge amounts of money have been spent are abandoned because the new board of directors does not approve of them.

Poor Management:

This problem is closely related to the two problems mentioned above. Members of the board who make policies for the corporation are political appointees who may not have any exposure in the corporation's area of operations. Again, the government can make its corporations employ management staff that is not properly qualified. These two factors can result in poor management (Obasanjo 1999).

Government Controls:

It is necessary for the government to exercise some control over its corporations but sometimes these controls are so oppressive that the corporations is rendered inactive. In order to compete effectively with private companies engaged in the same business, a government corporation should be allowed to operate under similar conditions. For instance, if the government, for political reasons, imposes price controls on its corporations and cannot control the prices of other companies engaged in the same business, then the government company cannot return as much profit as the private companies (El-Rufai 2003).

Over-Protection by Government:

Some government corporations are like over-indulged children who cannot do anything for themselves. Most of them depend on the government for everything including the payment of staff salaries and the maintenance or replacement of equipment even though they were established to provide services to the public and to make profits. In private companies, the workers know that they have to make profits or the company will close down and they will become unemployed. For this reason, the workers work hard to improve on their goods and services. In public corporations the workers do not seem to care especially as they have secure tenure of office, regardless of the financial positions of the corporation. In fact the services of some public corporations are so bad that the public would have nothing to do with them if it had any choice. Thus, the practice whereby government gives grants to its companies on a regular basis makes the workers careless about the quality of work they offer to the corporation (Abdullahi & Muktar 2018).

Poor attitude to Work:

Many workers in the public sector see their work as government work. Government work, they unfortunately believe, require neither seriousness nor commitment. The result is that workers do not do their work at all or do it haphazardly, and the corporations consequently cannot effectively discharge their duties for which they were set up. According to Nwachukwu (2007), Nigerian employees characteristically have a very poor attitude to work. He asserts that the average employee is “not on seat” fifty percent of the time. Most employees see white-collar job as government work in which the employee receives his monthly salary regardless of his or her input in the organization. Such an attitude will certainly be a draw back to the attainment of organizational goals.

Financial Mismanagement:

Ugoo in (Anyadike, 2013) argues that some public enterprises whose establishments are hinged on regulatory philosophy have also not lived up to standard due to endemic corruption in these enterprises as officials collect bribes and truncate their primary reasons for establishment. Some government corporations are notorious for their mismanagement of funds. Money is sometimes embezzled outright. Officials also connive with contractors who are paid in full for work that is either not done or is improperly carried out. There have been cases where old and obsolete equipment and machinery have been bought at the price of new ones. This money could have been used for necessary development projects by the company or the government. In Nigeria, a combination of all these problems are manifested in the very poor services given by public corporations such as irregular and erratic power and water supply, late or non-delivery of mails, faulty telephone services and poor rail road and air transport services. Furthermore, inability of government corporations to discharge their duties effectively has contributed a great deal to the slow rate of social and economic development in the country.

Poor funding:

It has been observed that inadequate funding of PEs by government makes their operation difficult, if not impossible. As a result, they also determined the tariff structure, which would have been an avenue to raise more funds to improve their performance. Most Public Enterprises in Nigeria were set up with a low equity capital base; thus making it difficult even to get financial assistance from banks. Poor capitalization was an impediment to borrowing, thereby contributing to negative performance. In summary, the challenges facing public enterprises was buttressed by Agabi and Orokpo (2014) when they asserted that the performance of Nigerian enterprises were compromised in many instances leading to inefficient utilization of resources by public enterprises coupled with heavy dependent on the national treasury for financial operations and their activities characterized by mismanagement of funds and operations, endemic corruption, misuse of monopoly power and bureaucratic suffocation from supervisory ministries and its inability to enhance the social and economic well-being of the people, which no doubt placed government under tremendous pressure to initiate various economic reforms, with privatization as one of such reform programmes as a panacea to public enterprises quagmire.

Conclusion

Public Enterprises set up by the government through statutes or acts of parliament to provide essential social services for the public. Such services include pipe-borne water, electricity and transportation services. The performances of most public enterprises in Nigeria have been nothing to be proud of. There is no doubt that the majority of these co-operations are not only inefficient but also wasteful. This had led to calla and measures for the privatization of these enterprises. However, the problems of the corporations are not without solutions. There are various ways of improving their performances.

First, if Public Corporation is to be more productive and efficient, they should be detached from the civil services. The practice of seconding, Director-Generals to corporation as General Managers should also be abolished to remove infection of the corporations with civil service bureaucracy.

Secondly, the workers of Public Enterprises should be provided with more incentives like their counterpart in the private sector. This will stimulate the right orientation in the workers and also help to attract better qualified and experienced management personnel to the Public Service.

Thirdly, Government should also make more funds available to public corporations to enable them procure necessary equipment and spare-parts. Some public corporations are today unproductive and inefficient because they have no adequate facilities or equipment with which to render the service for which they were established for.

More ever, there is the need for proper management of the funds of public enterprise. This can be done through proper auditing. If this step is taken, it will help reduce wasteful spending by the corporations and the misappropriation of funds by their officials. In addition, public corporations should be encouraged to make profits. Although the primary reasons for setting up public enterprises is to provide essential social services. It is important that the enterprises do not run at a loss. At least they should be able to cover their running cost. Each enterprise should balance its accounts regularly.

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