The Effect of Privatization on Economic Growth of Nigeria: 1979 - 2007 in Retrospect

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ABSTRACT

The focus of this study was on the effect of privatization on the economic growth and development of Nigeria: 1979-2007 in retrospect. Its aim was to ascertain the relationship between public and private sector spending and Gross Domestic Product (GDP). Ex-post facto research design was adopted for this study. Data gathered were analyzed and tested using the ordinary least square multiple regression statistical model. The results of the test showed that the combination of private and public sector capital spending significantly impacted on the GDP. It was also discovered that there existed a strong and positive relationship between GDP and public sector capital spending. The study consequently recommended that foreign investors should be encouraged to participate in the investment opportunities created by the privatization programme and should be allowed one hundred percent equity share holding in companies established in Nigeria.

Keywords: *Privatization, economic growth, development, equity, GDP*

INTRODUCTION

The participation of the State in enterprises in Nigeria dates back to the colonial era. The task of providing basic infrastructure such as railway, road, bridges, water, electricity and port facilities fell on the colonial government due to the absences of indigenous companies with the required capital as well as the inability or unwillingness of foreign trading companies to embark on capital intensive project (Iheme, 1997). The involvement was expended and consolidated by the colonial welfare development plan (1946-1956) that was formulated when labour party came to power in the United Kingdom. This trend continued after independence such that by 1999, it was estimated that successive Nigerian government had invested up to N800 billion in public owned enterprises (Igbuzor, 2003 as citing Obasanjo, 1999). Throughout much of the twentieth century, there were three dominant strategies for infrastructure investment. In some countries, most notably those in the Eastern Bloc, State ownership of the means of production was promoted, while others (Western Bloc) promoted private ownership of production. A large number of countries also predicted what was termed a mixed economy, a combination of public and private ownership of the means of production. However, by the end of the twentieth century with the end of cold war between the eastern and western bloc, private ownership of the means of production gained ascendancy. Today, what is applicable is that the State should recede from this role, and that private ownership of the means of production is the only viable approach to the efficient production of goods and services, as well as economic growth and development. Consequently, there is a strong move all over the world to privatize erstwhile public enterprises (Igbuzor, 2003). Thus, privatization could be looked upon as the reduction of public sector intervention in economic activity. It involves the divesture of government economic activities (Anyanwu, 1993). It occupies a unique position in a global economic liberation and provides an avenue for raising productivity, thus, enhancing overall economic growth and development (Salako, 1999).

This is however, achieved through increased involvement of the private sector in productive economic activities through the sale of public enterprises to the private sector with the ultimate aim of infusing improved economic efficiency in the businesses. With privatization, the role of government in direct productive activities diminishes as the private sector takes over such responsibilities with profit motive as its major objective. In such a situation, the government is only expected to provide essential infrastructure and an enabling environment through which private enterprises could flourish. Privatization is predicated on the assumptions of State inefficiency and absolute efficiency of the market (Salako, 1999). It would be recalled that several Nigerian public enterprises have on several occasions been under severe criticism by international media agents for their operational and pricing inefficiencies. Nigeria like many other developing economies witnessed increasing cost and poor performance of State-owned enterprises (SOEs), resulting in heavy financial losses. In it, there has been proliferation of SOEs in all facets of economic endeavours, as a means of fostering rapid economic growth and development (Eke, 2000).

Unfortunately, most of them were structurally ill-conceived, economically inefficient with accumulated huge financial losses and thus absorbing disproportionate share of domestic credit. They were also sustained through heavy budgetary allocations of the country (Jerome, 1996, as cited in Eke, 2000). For instance, the state-owned enterprises (SOEs) are adjudged to have contributed substantially to public sector deficit and have financed less than one fifth of their investments through Internally Generated Resources (IGR) (Nair and Filippides, 1988). As some governments ran into severe fiscal problems such that loans became increasingly difficult to raise at home and abroad, they were forced to consider some radical methods of reviving the SOEs. Such reforms embarked upon by developing countries included privatization. Kikeri (1994) has noted that the high costs and poor performance of SOEs and the modest and fleeting results of reform efforts have turned many governments towards privatization.

Again, the tremendous successes recorded by the United Kingdom through privatization has encouraged their nations to adopt this method of enterprises turn around exercise. Fiscal crises have also led some government to privatize as a way of raising revenues and stemming losses, especially in the face of increasing public debt. Also, many governments are believed to have opted for privatization because of their inability to finance investment in their SOEs and expectations of efficiency gains. However, the objectives of government for embarking on privatization vary from country to country. They include the expansion of the role of the private sector to improve mobilization of savings for new investment, modernizing the economy through increased private investment, new technology and efficient management to stimulate growth. Other objectives are; to facilitate the development of the competitive environment, provide greater employment opportunities over-time and to reduce the price of goods and services for customers. However, the motivation that drives through would determine, to a large extent, the success or failure of the programme.

In Nigeria, there had been a cumulative dismal performance of SOEs which resulted in a crisis of confidence. This was due to various problems which can be attributed to internal and external factors. The internal factors relate to inadequate and inappropriate investment decisions, adverse business environment characterized by weak capital base and control mechanism, poor system accountability and the absence of any remarkable reward system. The external factors relate to unfavourable export/import prices, restricted access to external markets and funds, high rates of interest on foreign loans, among others (Eke, 2000). Arising from the prevailing socioeconomic and political conditions of the Nigerian economy, the justification institutional reforms of the SOEs derives from three main concerns which are macro-economic in nature. The first, centers on the need for restoration of fiscal balance in the highly indebted Nigerian economy in the light of excessive budget deficit (which SOEs have been a major cause, through excess loans) and their inflationary impact. The second relates to the need to improve efficiency in the public sector, especially the SOEs sub-sector. The third factor, which is international in nature, centers on the need to reduce the size of government involvement in economic activities in order to force some resources which could be deployed to alleviate international debt burden. The reform of SOEs in Nigeria has, thus focused on such a critical aspects as financial and physical restructuring via divesture with a market oriented approach under the Structural Adjustment Programme (SAP) adopted in 1986 (Nyong, 1995).

After independence in 1960 and closely followed by the oil boom of the 1970s, Nigeria witnessed a growing involvement in State economic activities. Of great importance was the proliferation of State-owned enterprises (SOEs) in diverse economic activities as a means of fostering rapid economic growth and development. Unfortunately, these SOEs in Nigeria have become sources of budgetary deficits; they witnessed increased costs, followed by declining profitability. There is also a general poor performance due to lack of diligence on the part of the operators in the system. Other problems inhibiting SOEs efficiency include: Ill-conceived incorporation procedure in order to score political points in some cases; engagement of unqualified and inexperienced management team, unconducive investment climate, obnoxious government policies and inappropriate funding are critical issues which are better handled by the private sector. It is on these bases that privatization has become very relevant in today's economy and should be encouraged (Asika, 1999). The objectives of this study thus are:

i. To ascertain the relationship between government/public sector spending and the Gross Domestic Product (GDP).
ii. To determine the relationship between private sector spending and GDP
iii. To find out whether there is any relationship between public and private sector spending and GDP.

iv. To proffer suggestions on whether the Nigerian government should continue with the privatization of SOEs or should not.

Privatization of SOEs could be seen as a veritable mechanism through which private sector investment is encouraged. Individuals as well as corporate organizations would be aware of existing investment opportunities and may wish to diversify their assets. The study may stimulate and expand the activities of capital market through information dissemination on potential good securities to be offered for subscription. Besides, the study could act as a stimulus to small income earners to pool their resources together in a unit trust scheme and invest in the capital market, in order to reap huge benefits accrued to big investors. In order to realize the above objectives, the following null hypotheses were formulated to direct the study.

i. There is no significant relationship between public sector capital spending and gross domestic product of Nigeria.
ii. There is no significant relationship between private sector capital spending and gross domestic product of Nigeria

PRIVATIZATION AND ECONOMIC GROWTH IN NIGERIA

Many countries of the world have embarked on privatization programmes at different times. Chile introduced it in 1974. The United Kingdom implemented a rigorous privatization programmes during the regime of Margaret Thatcher in the 1980s (Iheme, 1997). The decision for Britain to embark on privatization programme was largely informed by the need to cut back on public spending rather than the need to promote efficiency and competition. Countries like Russia, Romania, Czechoslovakia among others witnessed the implementation of privatization in the 1990s. Privatization in Nigeria was introduced by the privatization and commercialization Decree of 1988 as part of the structural Adjustment Programme (SAP) of the Babangida regime (1985-1993). The vision of a "global market civilization" has been reinforced by the policies of the major institutions of global economic government named up to the mid 1990s. Underlying the SAP, has been a new-liberal development strategy referred to as the washing on consensus which prioritizes the opening up of national economics to global market forces and the requirement for limited government intervention in the management of the economy (Ayodele, 2002).

One of the main objectives of SAP was therefore to pursue deregulation and privatization leading to removal of subsidies reduction in the wage bills and the retrenchment of the public sector ostensible to trim the State down to size (Egwu, 1998). The privatization and commercialization decree of 1988 set up the Technical Committee on Privatization and Commercialization (TCPC) under the chairmanship of Dr. Hamza Zayyad. He was mandated to privatize three public enterprises and commercialize 34 others, in 1993, the TCPC concluded its assignment and submitted a final report privatizing 88 out of the three enterprises listed in the Decree. Based on the recommendation of the TCPC, the Federal Military Government promulgated the Bureau for public enterprises Act of 1993 which repealed the 1988 Act and set up the Bureau of public enterprises (BPE) to implement the privatization programme in Nigeria. In 1999, the Federal government enacted the public enterprises (Privatization and Commercialization) Act which created the National Council on privatization under the chairmanship of the Vice President Alhaji Atiku Abubakar (Igbuzor, 2003). The functions of the council were:

i. To make policies on privatization and commercialization.
ii. To determine the modalities of privatization and advising the government accordingly.
iii. To determine the timing of privatization for particular enterprises.
iv. To approve the prices for shares and appointment of privatization advisers.
v. To ensure that commercialized public enterprises are managed in accordance with sound commercial principles and prudent financial practices, and
vi. To interface with public enterprises, together with the supervising ministries, in order to ensure effective monitoring and safeguard of the managerial autonomy of the public enterprises.

The act also established the Bureau of public enterprises BPE as the secretariat of the national council on privatization. The function of the bureau include:

i. Implementing of the councils policy on privatization and commercialization;
ii. Preparing public enterprises approved by the councils for privatization and commercialization;
iii. Advising the council on further public enterprises that may be privatized or commercialized;
iv. Ensuring the update of accounts of all commercialized enterprises for financial discipline;
v. Advising the council on capital restructuring needs of the public enterprises to be privatized;
vi. Making recommendations to the council in the appointment of consultants, advisers, investment bankers, issuing house, stockbrokers, solicitors, trustee, and other professionals required for the purpose of either privatization or commercialization;
vii. Ensuring the success of the privatization and commercialization exercise through effective post transactional performance monitoring the evaluation, and
viii. Providing secretarial support to the council.

Underlying the move to privatize public assets appears to be a basic belief that government owned and managed enterprises are inherently less efficient than private enterprises. While there is a great deal of evidence to suggest that this is true, it does not appear to be a significant alternative push to increase the efficiency of government enterprises, except in those cases where the body politics has defined enterprises as a uniquely governmental function (Gauche, 2000). Thus, this definition is becoming increasingly narrow over time. Consequently, privatization of public assets appears to stem from a desire to bring market discipline to bear on enterprises that were once sheltered by government ownership. This desire may stem from increasing realization that international trade of those nations and people who participate fully in the international economy. However, a country or an enterprise cannot participate fully in the international economy without being fully competitive. Thus, a basic thrust of privatization appears to be the promotion of economic growth. It is the objective which will be thwarted to a great extent if the privatizing governments fail to link up the privatized capital with those who will use the earnings from capital with those who will use earnings from that capital for consumption. If that capital goes primarily to those who reinvest rather than consume the income from the capital, total activity in the economy will be less than otherwise possible and economic growth will suffer as a result (Kelso and Hetter, 1982).

PRIVATIZATION IMPLEMENTATION PROBLEMS

There are concerns in civil society circles that the economic environment of Nigeria as presently constituted, as well as the way the privatization programme has been implemented cannot lead to success. According to the World Bank (2003):

> *most privatization success stories come from high income and middle-income countries. Privatization is easier to launch and more likely to produce positive result when the company operates in a competitive market and when the country has a market-friendly policy environment and a good capacity to regulate. The poorer the country, the longer the odds against privatization producing its anticipated benefits, and the more difficult the process of preparing the terrain for sale.*

From the above, four conditions must be met for the success of any privatization programme. First, the country should be either in the high or middle income bracket. The second condition is that the country should operate a competitive market. The third is that the country should be a good policy environments, and finally, a good capacity to regulate it. Any keen observer of Nigeria's economic environment will know that these conditions are completely absent. This is why apologist of privatization insists that any privatization programme should be a part and parcel of a comprehensive public sector reform package (Jerome, 1991). However, it has been argued that the Nigerian privatization exercise is not accompanied or preceded by an articulated and property phased public sector reform and it will therefore nor result in more efficient production of public goods, nor will it make any significant positive impact to fiscal balance (Amadi, 2003). It is instructive to note that the World Bank gives eight key lessons on the experience of privatization:

i. Privatization works best when it is a part of large programme of reforms promoting efficiency;
ii. Regulation is critical to the success of monopolies
iii. Countries can benefit from privatizing management without privatizing ownership of assets;
iv. The sale of large enterprises requires considerable preparation;
v. Transparency is critical for economic and political success
vi. Government must pay special attention to developing a social safety net; the formerly socialist economies should privatize in all possible ways that encourage competition, and they should experiment with all available methods that go beyond a case by case approach to privatization;
vii. In changing the public-private mix in any type of economy, privatization will sometimes be less important than the emergence of new private business.

METHOD

Ex-post facto research design was adopted for this study. The data used for this study were gotten mainly from secondary source which includes tables for Nigeria's Gross Domestic Product, public spending and private sector spending from 1979 - 2007. The major statistical tool used in analysing the data obtained for this study is the ordinary least square (OLS) regression technique. To analyse the hypotheses formulated for the study, the model below was developed.

$GDP = a + b_1 PBSS + b_1 PTSS + \mu$

Where

GDP = Gross Domestic Product
PBSS= Public Sector Capital Spending
PTSS= Private Sector Capital Spending
a and *b* = Regression Parameters, and
µ = Stochastic error term.

To test the time series properties of the variables employed for the estimation of the above model, both stationarity and co-integration tests were conducted. However, the testing for unit roots of variables always precedes the co-integration analysis. Augmented Dickey-Fuller (ADF) test was employed to determine the order of integration of the variables in the two models and this is done to determine whether the series follow a non-stationary pattern. According to Nyong (2005), when the series are non-stationary, the use of orthodox method of estimation such as ordinary least square will lead to the acceptance of meaningless result. As such, when the series are non-stationary around the mean, we adopt the traditional practice of differentiating the series which lead to stationarity that allows the study to adopt the conventional econometric method which explains the long-run relationship.

RESULTS AND DISCUSSION

The data on table 1 show that GDP recorded 17.8 per cent in 1979 and in 1980 GPD dropped by 0.19 per cent, picked up steadily from 1.89 percent in 1981 to 54.77 percent in 1988. GDP reduces to 15.94 per cent in 1989 and witnessed a continuous increase till 1997 and in 1999 the growth rate in GDP was negative. This could be attributed to transition of power from the military to the civilian government. GDP rose up steadily and witnessed an annual differential per cent increase of 04.59, 3.47, 10.23, 4.44, 15.0993, 15.90 per cent respectively from 2000-2007. Public sector capital spending (PBSS) within the period under study shows that it increased by 140.86 per cent in 1979, dropped by 35.38 per cent and 40.45 per cent respectively in 1980, and 1982. PBSS increased steadily from 30.7 per cent in 1987 to 144.1 per cent in 1992. PBSS dropped again by 26.9 per cent in 1993 and rose up steadily till 1999 when PBSS decreased by 65.53 per cent and witnessed a continued decrease in 2001 and 2002 when PBSS reduced by 17.09 and 54.502 per cent respectively. PBSS picked up in 2003 by 11.02 per cent and increases steadily till 2007. The private sector capital spending witnessed a continued positive increase in growth within the period under study. The highest private sector capital spending.

The unit root results which indicate the order of integration of each of the variables is presented on table 2. The test revealed that the variables: LGDP, LPBSS, LPTSS are all stationary at first difference; the variables are integrated of order I (1). This implies that the null hypothesis of non stationarity for all the variables is rejected. Given the unit root properties of the variables, we proceed to establish whether or not there is a long run co-integrating relationship among the variables in the equation by using the Johansen full information maximum likelihood method. The Johansen co-integration test on table 3 revealed that the trace and maximal Eigen statistics show the existence of three and two co-integrating relationship between LGDP and it determinants at the 5% level of significance. The conclusion drawn from this result is that there exists a unit long-run relationship between LGDP, LPBSS and LPTSS. Since there is one co-integrating vector, an econometric interpretation of the long-run growth (GDP) can be obtained by normalizing the estimates of unrestricted co-integrating vector on the GDP.

The PT-matrix of the beta coefficient from the Johnansen co-integrating analysis and the preferred co-integrating (CI) equation are presented on table 4. Using Max-Eigen statistics, only one co-integrating relations was chosen among the two, base on statistical significance and conformity of the coefficients with economic theory. As shown by the chosen CI equation, which normalizes the coefficient of log of GDP, all the explanatory variables are significant in influencing changes in GDP. The most significant of the determinants of GDP are expected MGDP and RDEP.

The adjusted R^2 of the estimated model shows that about 98% of the variation in GDP is explained by the combined effects of all the determinants. While the F-statistics value of 1004.4 shows that the overall regression is significant at both the 1% and 5% levels. Also, the equation's standard error of 0.791 signifies that in about two-thirds of the time, the predicted value of GDP would be within 79 percent of the actual value. The Durbin-Watson value is 1.53 which shows that it falls between the inconclusive zone. Therefore we can not say whether serial correlation exists or not. Also, the first lagged value of GDP greatly influenced the changes in current GDP growth over time with a strong inertia of 600 percent. The coefficient of the variable private sector capital spending (PTSS) is found to be positive and in line with economic *a priori* criteria. This implies that when private sector capital spending (PTSS) increases the GDP of the country will also increase. This result is statistically significant both at 1 and 5 per cent levels of significance.

The results also show that if all other explanatory variables are held constant, a 1 per cent increase in PTSS will induce 55 per cent growth in GDP. Public sector capital spending (PBSS) conforms to our theoretical expectation by bearing a positive sign. This result is significant at 5% level. Therefore, a rise PBSS will lead to a corresponding increase in GDP. There is need therefore to raise PBSS in order to open new industry and create employment In other words, public sector capital spending (PBSS) exerts very significant positive influence on the level of GDP. That is, if PBSS increases by one percent, gross domestic product (GDP) will increase by 53.4 percent. The findings of this study revealed that there exist a significant relationship between public sector spending and gross domestic product of Nigeria. This implies that when public sector spending increases, the gross domestic product of the nation will also increases. This finding is in agreement with that of Gauche (2000), who found out that an increase in public sector spending implies that government will spend much money investing on lucrative businesses which will yield dividend to the nation thereby raising the GDP. This finding however, is contrary to the findings of Udoka (2004) reveals that in the case of Nigeria, money meant for public projects were diverted into the pocket of private individuals who went ahead to use such monies for holidays abroad. He also noticed that some of the projects which the government invested in were poorly managed. Consequently, this state of the arts leads to the negativity of the growth of the Nigerian nation. The second finding of this study revealed that there exist a significant relationship between private sector capital spending and the growth of the economy. This finding is in line with the findings arrived at by Onoh (2002), who noticed that money spend in the private sector of the economy is carefully planned and implemented. Therefore any little amount of money spend in that sector will lead to economic growth.

Table 1: Relationship between public sector spending (PBSS), private sector spending (PTSS) and gross domestic product (GDP) 1979-2007

Year	GDP	% increase	PBSS	% increase	PTSS	% increase
1979	43150.8	0.178393	4219.5	1.408674	6206.5	0.158608
1980	50848.6	-0.00196	10163.4	-0.35386	7190.9	0.342586
1981	50749.1	0.018919	6567	-0.02281	9654.4	0.177857
1982	51709.2	0.105066	6417.2	0.073007	11371.5	0.086391
1983	57142.1	0.113156	6885.7	-0.40455	12353.9	0.047604
1984	63608.1	0.137519	4100.1	0.332821	12942	0.058569
1985	72355.4	0.009764	5464.7	0.560342	13700	0.267518
1986	73061.9	0.490313	8526.8	-0.25265	17365	0.146962
1987	108885.1	0.333913	6372.5	0.308764	19917	0.259718
1988	145243.3	0.547726	8340.1	0.802628	25089.8	0.233282
1989	224796.9	0.159432	15034.1	0.599604	30942.8	0.18383
1990	260636.7	0.243148	24048.6	0.178484	36631	0.237345
1991	324010	0.696888	28340.9	0.403036	45325.2	0.346278
1992	549808.8	0.267877	39763.3	1.441432	61020.3	0.166474
1993	697090	0.312513	97079.4	-0.26948	71178.6	0.653149
1994	914940	1.161606	70918.3	0.708139	117668.8	0.493919
1995	1977740	0.427842	121138.3	0.309894	175787.7	0.123155
1996	2823900	0.040989	158678.3	0.322432	197436.9	0.378411
1997	2939650	-0.01985	209841.3	0.129834	272149.2	0.240072
1998	2881310	0.172151	237085.8	0.364826	337484.6	0.340539
1999	3377330	-0.02535	323580.8	-0.65539	452411.1	0.150596
2000	3291700	0.045994	111508.6	1.329487	520542.5	0.427589
2001	3443100	0.034765	259757.8	-0.17095	743120.8	0.232127
2002	3562800	0.102391	215353.4	-0.54502	915619.3	0.262484
2003	3927600	0.044442	97982.1	0.110213	1155955	0.079472
2004	4102152	0.150993	108781	0.308521	1247821	0.14075
2005	4721547	0.159072	142342.2	0.070253	1423452	0.212082
2006	5472613	0.084761	152342.2	0.071546	1725342	0.086881
2007	5936475	163241.7	1875241			

PBSS= public sector capital spending, PTSS= private sector capital spending

Source: CBN Statistical bulletin 2008

Table 2: Test for stationarity and order of integration of the series

Variables	ADF		Order of Integration	Lag
	Levels	1st Diff		
LGDP	-0.749515	-3.289157	I (1)	2
LPBSS	1.241037	-6.924047	I (1)	2
LPTSS	0.311488	-4.331483	I (1)	2

Table 3: Johansen maximum likelihood co-integration test for GDP in Nigeria

Unrestricted Co-integration Rank Test

Hypothesized No. of CE(s)	Eigenvalue	Trace Statistic	5 Percent Critical Value	1 Percent Critical Value
None *	0.550224	32.87719	29.68	35.65
At most 1	0.368404	12.10301	15.41	20.04
At most 2	0.005977	0.155859	3.76	6.65

*(**) denotes rejection of the hypothesis at the 5%(1%) level
Trace test indicates 1 co-integrating equation(s) at the 5% level
Trace test indicates no co-integration at the 1% level

Hypothesized No. of CE(s)	Eigenvalue	Max-Eigen Statistic	5 Percent Critical Value	1 Percent Critical Value
None	0.550224	20.77417	20.97	25.52
At most 1	0.368404	11.94716	14.07	18.63
At most 2	0.005977	0.155859	3.76	6.65

*(**) denotes rejection of the hypothesis at the 5%(1%) level
Max-eigenvalue test indicates no co-integration at both 5% and 1% levels

Table 4: Unrestricted co-integrating coefficients (normalized by B'*S11*B=I)

Unrestricted Adjustment Coefficients (alpha):

D(LGDP)	-0.017116	-0.046514	0.009790
D(LPBSS)	-0.215906	0.054867	0.008416
D(LPTSS)	0.005584	0.029294	0.005487
1 Co-integrating Equation(s):		Log likelihood	46.45962

Normalized co-integrating coefficients (std.err. in parentheses)

LGDP	LPBSS	LPTSS
1.000000	-0.724512	-0.446901
	(0.05692)	(0.04195)

Table 5: Regression result of the relationship between PBSS, PTSS and GDP

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	1.250590	0.288518	4.334532	0.0002
LPTSS	0.552453	0.051518	10.72356	0.0000
LPBSS	0.535614	0.064698	8.278694	0.0000
R-squared	0.987223	Mean dependent var		13.28106
Adjusted R-squared	0.986240	S.D. dependent var		1.835158
S.E. of regression	0.215270	Akaike info criterion		-0.136148
Sum squared resid	1.204873	Schwarz criterion		0.005297
Log likelihood	4.974144	F-statistic		1004.436
Durbin-Watson stat	1.531009	Prob(F-statistic)		0.000000

CONCLUSION AND RECOMMENDATIONS

This study on the effect of privatization on economic growth of Nigerian employed secondary data which was analyzed and tested using ordinary least square multiple regression technique. Based on the regression result it was discovered that there existed a significant relationship between GDP and private sector capital spending, also a strong and positive relationship existed between GDP and public sector capital spending. The combination of the private and public sector capital significantly impacted on the GDP of the nation. It was also discovered from the study that privatization is not a comprehensive solution of the problems of poorly performing State owned enterprises. The study again discovered that the standard procedures for privatization were not followed as in the case of the aborted sale of the Nigerian Airways to Airwing of the UK, which had neither a solid capital base, nor the required experience to merit taking over the national carrier. After many years of privatization exercise in Nigeria, there has not been any comprehensive assessment of post privatization performance of the affected enterprises. Based on the findings gathered from the study the following recommendations were made:

1. Foreign investors should be encouraged to participate in the investment opportunities made available by the privatization programme. Furthermore, they should be allowed to hold one hundred percent equity shareholding in companies. With this, they could assist to revamp the weak private sector economy of Nigeria;
2. The foreign businesses in Nigeria should be encouraged to produce goods for exports, thereby, creating export market and providing global linkages and international exposure for private businesses. This will enhance the value of the Naira as well as provide employment opportunities for the Nigerian youths;
3. The capital market should be made to handle all sales of SOEs instead of BPE. The BPE should only set up modalities for sale while the capital market should undertake the negotiation and actual sale and account to the government.
4. At least a lucrative business in either the oil and mineral sector or in finance should be reserved for participation by the Nigerian workers as is done in Malaysia.

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