
THE EFFECT OF PRIVATISATION OF THE POWER HOLDING COMPANY OF NIGERIA (PHCN) ON THE BENEFITS TO END USERS: AN EMPIRICAL STUDY

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ABSTRACT

The study sought to find out the effect of the privatisation of the Power Holding Company of Nigeria (PHCN) on the benefits to end users. Expost-facto design was used for this study, and the area of this study was Uyo Local Government Area, located in Akwa Ibom State. Uyo Local Government lies between latitude 5.05 North and longitude 80 East. A sample of 60 workers of the PHCN in Uyo was selected and used for the study using a simple random sampling technique in the form of a balloting system. The population of this study consisted of all staff of the PHCN in the Uyo local government area. They are male and female, as well as management staff, senior staff, and junior staff. The principal source of data to be used was from both primary and secondary sources. The main instruments used in the collection of primary data included personal interviews and a structured questionnaire. The instruments were designed to produce structured, multiple-choice, and open ended questions. They were made up of three sections, such as sections A, B, and C. Section A was made to present the introductory part of the research instrument. Section B measured the personal data of the respondents, while Section C measured the variables of the research objective. The data obtained were analyzed using the proposed Pearson correlation. Moment analysis and simple regression analysis here was used to compare the two independent groups. An analysis of variance was used for the independent group. The calculated values were compared with the critical values for proof of significance. From the study, it is concluded that there is a significant effect of Privatisation status of the Power Holding Company of Nigeria (PHCN) on the benefits to the end users. One of the recommendations suggested for the study was that workers should be effectively supervised in order to ensure that there is enhanced performance, including achievement of other purposes of privatization of the parastatal.

Keyword: Power Holding Company of Nigeria, Benefits and End Users

Introduction

Privatisation initiatives are being considered and carried out in nation-states around the world (Peter, 2006). Privatisation is an idea that has attracted both strong adherents and vociferous critics. Privatisation reached the federal policy agenda in the United States more

than two decades ago, and each Congress features new bills proposing to either expand or halt the movement of federal governmental activities to the private sector. The breadth of activities covered by the term "privatization" varies greatly. The Congressional Budget Office (CBO), for example, has defined "privatization" narrowly to refer to activities that "involve a genuine sale of assets and termination of a federal activity. Pohl et al (1997) define Privatisation more broadly to mean "the policy or process of making something private as opposed to public. Perhaps most commonly, "privatization" is used to refer to "any shift of activities or functions from the state to the private sector. These definitions enable policymakers who wish to improve the provision of a good or service to see that privatization is not an either-or proposition. Rather, privatization is a matter of degrees, and there are myriad means, as this report explicates, through which the private sector may be brought into the process of the provision of a good or service.

Privatization takes place in an economic environment that does not lend institutional support to minority shareholders or investors in general, as in the case of Ukraine. After the collapse of the Soviet coordination and control system, Ukraine faced the challenge of setting up a system of institutions that would support decentralized investment and production. Corporate law had not existed for more than seven decades. Unlike in neighboring Poland, Hungary, and the Czech Republic, there were no commercial codes that could be restored and no deeply ingrained social rules or civil society supporting private ownership. As a result, today Ukraine has weaker investor protection than the developed market economies and the more advanced economies in transition.

An end-user is a person for whom a product development team designs their product. The term "end user" is used in the product development process in software engineering, information technology, and other technology-related fields. End users are the final consumers of a product at the end of the product development process. As a product developer, it's important to keep the end user in mind throughout the entire development process to make the best possible product for the intended users (Indeed Editorial Team, 2021).

Statement of problem

Many believe that the privation of government enterprise will promote workers' productivity in many ways. Privatisation is associated with greater productivity and profitability, as well as a number of other indicators of restructuring. From this perspective, the Power Holding Company of Nigeria is an excellent subject for a case study. Hence, the problem of this study is how privatisation of the Power Holding Company of Nigeria (PHCN) promotes workers' productivity in Uyo, Akwa Ibom State, with regard to level of profitability, organizational growth, an efficient workforce of the company, promoting tardiness among the employees, and the extent to which the enhanced strategies deployed in the ensuing Privatisation of the Power Holding Company of Nigeria (PHCN) are beneficial to the end users.

Objective

1. To determine the effect of Privatisation status of Power Holding Company of Nigeria (PHCN) on the benefits to the end users.

Research Question

1. What is the effect of privatisation status of Power Holding Company of Nigeria (PHCN) on the benefits to the end users?

Hypothesis

1. There is no significant effect of Privatisation status of Power Holding Company of Nigeria (PHCN) on the benefits to the end users.

THEORETICAL FRAMEWORK

Ownership Structure and Principal-Agent Theory (Jensen and Meckling, 1976)

The ownership structure and principal-agent theory were developed by Jensen and Meckling in the year 1976. The purpose of this theory was to suggest a theory of how the governance of a company is based on the conflicts of interest between the company's owners (shareholders), its managers, and major providers of debt finance. Why privatization becomes the subject of principal-agent theory is by no means a coincidence since the major question this theory attempts to address is how to avoid an agent's shirking behavior. That is exactly one of the objectives of privatization: to promote work incentives in public firms. The late 1980s saw an outburst of incentive-theoretical literature under the rubric of "mechanism design." Holmstrom (2001) derived a "second best contract," which characterized the trade-off of risk sharing and effort distortion between a risk neutral principal and a risk averse agent. In order to motivate an agent who can exert an unobservable effort, it is necessary to expose him to some risk at the expense of the suboptimal risk sharing between these two parties. After Holmstrom, Baron & Myerson (2001) made the first attempt to model information imperfection in a regulatory framework. A principal was required to regulate an agent who had private knowledge about its production cost. The conclusion of their analysis is that if an audit is not implemented, the principal will grant the type of agent who can exploit his private information a license to stop his cheating behavior. This efficiency versus rent trade-off has been proven robust in other extensions of the model. This strand of literature laid the foundation for applications of agency theory to privatization and nationalization questions that will arise in the next decade.

Grossman and Hart's (2009) theory of "incomplete contracts" relates the discussion of ownership structure to the theory of costly contracting. In their pioneering paper, ownership of a firm is defined as the acquisition of "residual rights of control." When some unanticipated situations occur, only the firm owner has the authority to implement any contingency plan. Such rights become critical when a contract is not complete in the sense that not all the details of a transaction (or, using Grossman & Hart's terminology, the specific rights of control) can be itemized and agreed upon by the parties involved. The incompleteness of contracts thus makes the discussion of ownership structures meaningful. This argument is indeed a remark on the Coase Theorem. To quote Cooter (2007), "the initial allocation of legal entitlements does not matter from an efficiency perspective so long as the transaction costs of exchange are nil." However, when three contractual costs do exist, the allocation of property rights becomes essential for efficiency considerations. This leads me to model a public and private firm as having two different ownership structures. The government owns the residual rights of the former but not of the latter. More to the point, the government is responsible for any distress that happens to the public firm but not for the latter.

CONCEPTUAL FRAMEWORK

Concept of Privatisation

The term "privatization" was first coined by the well-known management guru Peter Drucker before it was adopted by the then UK Prime Minister Margaret Thatcher. (Yergin and Stanislaw 2004). However, Privatisation is multidimensional in outlook. In the first place, Privatisation could be used to mean the tendency where government shares are sold to private investors. This definition means that such government enterprises and their ownership are now being transferred to individuals, while the government only steps aside as a regulatory agent (Pan African Summit, 2000). By extension, therefore, the concept of Privatisation does not in any way suggest the outright sale of government property per se. However, it partially removes the government from the scene as the rightful owner while, at the same time, ensuring the government's regulatory roles to check abuses of the market (Wogu, 2007). Going by the foregoing analysis, it is the opinion of the researcher to add that there is therefore a moral linkage between the concept of Privatisation and national development. However, the concept of development here can be said to be a vague concept. Privatisation therefore does not necessarily enhance socio-economic development. Development in this sense can be used in its actual sense to refer to individual human and societal growth, progress, increased skills, sustainability, a high standard of living, a low death rate, a high level of literacy, the absence of diseases, a low crime rate, and the absence of corruption. (Usman, 2003) Development at the national level portends capacity utilization and institutional building, structural differentiation, nation-building practices, and better and more sustainable socio-economic policy options. This appears to be the actual linkage between the Privatisation policy and national development in Nigeria. Similarly, the researcher is here left with no option but to emphasize that Privatisation is an adaptation of liberalization. The two concepts, however, are mutually reinforcing; liberalization in its real sense could therefore mean some level of openness, the removal of obstacles, restrictions, excessive tariffs, and regulation. Therefore, we can also say that a liberalized economy is an open, free, and competitive economy where everyone is at liberty to compete in a free market system aimed at profit maximization (Cook and Patrick, 2000).

Concept of End Users

According to Hayes (2021), the term "end user" refers to the consumer of a good or service, often someone who has some innate know-how that is unique to consumers. In a literal sense, the term "end user" is used to distinguish the person who purchases and uses the good or service from individuals who are involved in the stages of its design, development, and production. An end user is the person a product development team has in mind when they design their product. If you work in product development, it's essential to understand your end users. In this article, we define an end user, explain how they're different from customers, and provide tips and example scenarios for considering them (Indeed Editorial Team, 2021). In product development, an "end user" (sometimes "end-user") is a person who ultimately uses or is intended to ultimately use a product. The end user stands in contrast to users who support or maintain the product, such as sysops, system administrators, database administrators, information technology (IT) experts, software professionals, and computer technicians (Wikipedia, 2022). End users typically do not possess the technical understanding or skill of the product designers, a fact easily overlooked and forgotten by designers, leading to features that create low customer satisfaction. In information technology, end users are not "customers" in

the usual sense—they are typically employees of the customer (Chrissis, Konrad, and Shrum, 2011). For example, if a large retail corporation buys a software package for its employees to use, even though the large retail corporation was the "customer" that purchased the software, the end users are the employees of the company who will use the software at work. "End user" and "customer" are similar terms, and they are the same in some cases. However, it's important to understand how the two differ as you develop a product. An end user is someone who completes the final purchase of a product, while a customer can purchase a product and then resell it. If someone is both the purchaser and user of a product, they're both the customer and the end-user (Indeed Editorial Team, 2021). Furthermore, Hayes (2021) stated in comparison that a customer is the person performing the purchasing transaction of the technology, who may or may not also be the ultimate end user. At a place of business, for example, the boss may be the one that purchases the computer, so the boss is the customer, but a junior-level employee would be the actual end user.

Benefits of Privatisation to the End Users

Private enterprise is primarily concerned with maximising profits to increase the returns to shareholders, which makes the shares more attractive and increases the share price. This increases the value of the company concerned. The bonuses and remuneration paid to the company's CEO and other executives are often based upon the company's profits and share price. This drives the company towards the sole goal of increasing profits and its value through its share price. With essential services, the maximisation of profits often involves a reduction of maintenance expenditure, costs, and investment in its infrastructure, particularly when infrastructure upgrades do not provide a significant boost to the company's profits. Typically, existing infrastructure is allowed to run down; this can cause problems with reliability, which we have seen in many essential services that have been privatised. According to Climate Institute chief executive John Connor, "The main driver of recent and coming power price increases is the cost of the poles and the wires that haven't been invested in for some time." (Ehrlich et al. 1994). Public ownership of essential services can benefit from profits being reinvested to upgrade infrastructure, leading to lower price increases for consumers. Since the privatisation of essential services, consumers have experienced the biggest and most frequent price rises, compared to when such services were owned by the government and the people. Hence, the benefits of the privatisation of essential services for the consumer are questionable. Also, profits can be a source of income for governments, leading to the reduction of taxes. In other countries, such as Singapore, the government owns the telecommunications and airline companies. Telstra's four billion dollars in annual profit, if it continued to be in public ownership, could have been a source of revenue for the government and made the government less reliant on raising a carbon tax to meet budget shortfalls. Governments less dependent on revenue are less likely to sell off the country's assets.

Studies conducted in Lisbon by George (2005) investigate whether companies become more profitable following privatization. They conclude that the positive changes in performance of privatized firms are the result of significant restructuring efforts and not of exploitation of market power or of massive layoffs and lower wages. In other words, firms undergo a harsh restructuring process following privatisation and do not simply mark up prices and lower wages, as many economists predicted. Deregulation, particularly the removal of price and quantity controls and trade barriers, is associated with faster convergence to industry benchmarks.

Shakuil and Redull (2007) stated that the additional revenues the government receives as a result of the privatisation auctions and the increased tax revenues are probably enough to offset the cost to society of job losses. As one would expect, newly privatized firms cut employment, with the rolls of white- and blue collar workers nearly halved. These numbers may actually underestimate the effects of privatization, since in the years preceding privatisation most companies already had trimmed payrolls to prepare for divestiture. These findings suggest that transfers from workers to shareholders play a role in the success of privatization. However, productivity gains resulted in large increases in real wages in the post-privatisation period: real wages increased by 114 percent. Shakuil and Redull (2007) decompose the reported increases in profitability. Approximately 10 percent of that gain was attributable to higher prices and 33 percent to worker layoffs, while productivity gains accounted for the remaining 57 percent. Some of the social effects of higher prices and layoffs were offset by corporate taxes, which absorbed slightly more than half of the gains in operating income.

Privatization generates two benefits for the public. Firstly, privately owned companies desire to manufacture goods and services of the quality, quantity, and price that the public prefers. As a result of this, consumers can measure quality and quantity of private goods easier than collective goods; also, this situation is available for services. Moreover, competition is the most important way to minimise this factor. Unlike SOE, private firms want to attract the attention of consumers, and the best way to attract attention is with a low price. Privately owned companies compete with each other on price, resulting in a decrease in prices.

Secondly, instead of fulfilling the wishes of the government, resources are used to satisfy consumer wants. That is, consumers demand the goods, private firms behold the demands, and they consume resources considering the demands. However, SOE and GBE use resources considering the wishes of the government while manipulating goods, and the governments' demands are not changeable. Therefore, while some resources are over distributed, others are never distributed. On the other hand, private-owned companies distribute resources equally because when some resources are over-distributed, the public does not demand them anymore, and if there is no demand, private-owned companies do not distribute them and turn to other resources. Moreover, governments also gain from privatization. First, privatisation is the most important element of the global phenomenon of increased use of markets to allocate resources.

Privatization might lead to more rational labour market policies. However, the employment effects of privatisation are more nuanced than commonly assumed by either proponents or opponents of privatization. Privatization tends to lead to the substitution of high-skill for low-skill workers and a reduction in total employment levels but no change in net wages. Political considerations strongly impugn whether and how policymakers contract out services to private providers. "While many states and localities are turning to privatisation as a way to provide services to their citizens, surprisingly little is known about these choices. Much of the debate over privatisation pays little attention to the rationales and consequences of private versus public service provision.

Methodology

An Expost-Facto design was used for this study and the area of this study was Uyo Local Government Area located in Akwa Ibom state. Uyo Local Government lies between latitude 5.05

North and longitude 80 East. A sample of 60 workers of PHCN in Uyo were selected and used for the study, using a simple random sampling technique in form of balloting system. The population of this study consisted of all staff of PHCN in Uyo local government area. They are males and female as well as management staff, senior staff and junior staff. The principal source of data to be used was from both the primary and secondary sources. The main instrument used in the collection of primary data included personal interview and structured questionnaire. The instruments were designed to produce structured, multiple choices and open ended questions. They were made up of three sections such as sections A, B and C. Section A was made to present the introductory part of the research instrument. Section B was measuring the personal data of the respondents while section C was measuring the variables of the research objective. The data obtained were analyzed using proposed Pearson Correlation Moment analysis and simple regression analysis here was used to compare the two independent groups. Analysis of variance was used to the independent group The calculated values were compared with the critical values for proof of significance.

Results

Research Question One

The research question sought to find out if the Privatisation status of Power Holding Company of Nigeria (PHCN) has provided benefits to the end users. In order to answer the research question, descriptive analysis was performed on the data collected, (see table 1.)

Table 1: Descriptive Analysis of the Relationship between Privatisation status of Power Holding Company of Nigeria (PHCN) and its Benefits to the End Users.

Variables	N	Arithmetic Mean	Expected Mean	R	Remarks
Privatisation of Power Holding Company of Nigeria (PHCN)	859	16.64	12.5	0.88*	*strong to perfect relationship
benefits to the end users.)		18.34	12.5		

Source: Field Survey

The above table 1 presents the descriptive analysis of the relationship between Privatisation status of Power Holding Company of Nigeria (PHCN) and the benefits to the end users. The two variables were observed to have strong to perfect relationship at 88%. The arithmetic means for Privatisation of Power Holding Company of Nigeria (PHCN) (16.64) was also observed to be higher than the expected mean score of (12.5). In addition to that, the arithmetic mean for the benefits to the end users (18.34) was observed to be higher than the expected mean score of (12.5). The result therefore means that the Privatisation status of Power Holding Company of Nigeria (PHCN) has a remarkable relationship with the numerous benefits to the end users.

Hypothesis One

The null hypothesis states that there is no significant effect of Privatisation status process of Power Holding Company of Nigeria (PHCN) on the benefits to the end users. In order to test the hypothesis, two variables were identified as follows: -

1. Privatisation status of Power Holding Company of Nigeria (PHCN) as the independent variable
2. Benefits to the end users as the dependent variable

The two sets of variables were subjected to regression analysis in order to generate the predicted value (See table 2).

Table 2: Model Summary of the influence of Privatisation status of Power Holding Company of Nigeria (PHCN) on the benefits to the end users.

Model	R	R Square	Adjusted R Square	Standard Error of the Estimate	R Square Change
1	0.88	0.77	0.76	0.74	0.76

df = 1&71.; N = 73; critical r - value = 0.232

The table shows that calculated R-value 0.88 was greater than the critical R-value of (0.232) at 0.05 alpha level with 1&71 degree of freedom. The R-square value of 0.77 predicts 77% of the influence of Privatisation status of Power Holding Company of Nigeria (PHCN) on the benefits to the end users. This rate of percentage is highly positive and therefore implies that there is significant influence of Privatisation status of Power Holding Company of Nigeria (PHCN) on the benefits to the end users. It was pertinent to find out difference in the level of influence existing between each case of Privatisation status of Power Holding Company of Nigeria (PHCN) on the benefits to the end users. (See table 3).

Table 3: Analysis of variance of the difference in the influence of each case of Privatisation status of Power Holding Company of Nigeria (PHCN) on the benefits to the end users.

Model	Sum of Squares	Df	Mean Square	F	Sig.
Regression	124.43	1	124.43	232.46	.000b
Residual	38.01	71	0.54		
Total	162.44	72			

The above table presents the calculated F-value as (232.456) and sig as (0.000). Being that the sig (0.000) is below the probability level of 0.05, the result (the corresponding calculated f-value of 232.456 was significant. The result therefore means that there is significant difference in the influence existing between Privatisation status of Power Holding Company of Nigeria (PHCN) and the benefits to the end users.

Discussion of the findings

The result of the data analysis in table 2 was significant due to the fact that the obtained r-value (0.88) was greater than the critical r-value (0.232) at 0.05 level with 1&71 degree of freedom. This implies that there is significant effect of Privatisation status of Power Holding Company of

Nigeria (PHCN) on the benefits to the end users. The significance of the result is in agreement with the opinion of George (2005) who stated that companies become more profitable following privatization, they conclude that the positive changes in performance of privatized firms are the result of significant restructuring efforts and not of exploitation of market power, or of massive layoffs and lower wages. The finding also agreed with opinion of Ehrlich et al. (1994) who stated that public ownership of essential services can benefit from profits being reinvested to upgrade infrastructure, leading to lower price increases to consumers. Since Privatisation of essential services, consumers have experienced the biggest and more frequent price rises; compared to when such services were owned by government and the people. The significance of the result caused the null hypothesis to be rejected while the alternative one was accepted.

Conclusion

Privatization generates two benefits for the public. Firstly, privately owned companies desire to manufacture goods and services of the quality, quantity, and price that the public prefers. As a result of this, consumers can measure quality and quantity of private goods easier than collective goods; also, this situation is available for services. Secondly, instead of fulfilling the wishes of the government, resources are used to satisfy consumer wants. That is, consumers demand the goods, private firms behold the demands, and they consume resources considering the demands. From the study, it is concluded that there is a significant effect of the privatisation of the Power Holding Company of Nigeria (PHCN) on the benefits to the end users.

Recommendation

It is therefore recommended that:

1. Workers should be effectively supervised in order to ensure that there is enhanced performance, including achievement of other purposes of privatisation of the parastatal.
2. Now that Power Holding Company of Nigeria (PHCN) has been privatized, the management should ensure that there is a constant power supply in order to enhance business activities in the state and also promote continued patronage from the consumers.

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