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MASTER THESIS

PRIVATIZAVIMO POVEIKIS VALSTYBINĖMS ĮMONĖMS NIGERIJOJE	**THE IMPACT OF PRIVATIZATION ON STATE-OWNED ENTERPRISES IN NIGERIA**

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INTRODUCTION

The Relevance: In many economies, privatization has become a global concern and a structural reform process. Several emerging and developed economies have begun to privatize in recent decades as a means of promoting economic growth, macroeconomic stability, and lowering public sector borrowing due to corruption, subsidies, and subsidies to underperforming SOEs. This program has aroused debate among public officials and academics that privatization is capitalist in nature, and that it will result in underpaying workers through salary cuts, downsizing, and layoffs as new stakeholders emerge.(Adoga, 2008). A variety of economic literature, such as ownership rights, management, political, and agency theories, predicts the case for privatization. (Boubakri et.al, 2008).

According to economist, the main issues with state ownership are inefficiency and value destruction. State-owned companies (SOEs) are under-supervised, according to Bethel et al. (2019), resulting in insufficient incentives to improve operational and financial efficiency. (Zhao and Xiao, 2014). Furthermore, political involvement, according to political theory, obstructs practical goals. According to Boubakri et al. (2008), the Agency theory uses the management and political framework to separate ownership and control. Privatization is predicted to improve SOE financial and operational performance, based on these arguments. The prospect of dismissal for poor work performance, the introduction of newly qualified management (management change), and minimal government involvement in business operations would all aid SOEs in achieving their objectives. (Trans, 2008)

Following this debate, the purpose of this study is to look at the impact of privatization on SOEs, why most governments choose privatization, and why efficiency? However, this material could be used to support a variety of studies looking into the impact of privatization on Nigerian state-owned enterprises, as well as those arguing for changes in SOE management..

The novelty of the study: The impact of state-owned enterprise privatization in developing and developed countries has been the topic of empirical studies. Some studies suggest that significant changes have happened in the financial and operational efficiency of the State Owned Enterprise, while others claim that no changes have occurred. A claimed mixed reaction. (Ntiri, 2010, Wei et al., 2003, and Chidozies et al., 2015). The SOE's operations have been plagued by inefficiency and corruption. (Etieyibo, 2011), prompting governments in both developing and wealthy countries to reconsider the transfer of ownership to the private sector. Though Few studies on the subject have been conducted in Nigeria. The majority of studies are focused on restructuring and challenges. This research intends to look into the financial and operational efficiency of some selected (SOE‘s) before and after privatization for the period of twenty (20) years, to examine if there are difference. The selected firm‘s are quoted on the floor of the Nigerian Stock Exchange. They consist of two (2) sectors (telecomunication and Banking) being the two highest contributor to the GDP after the petroleum sector.

The Statement of the Problem: Empirical research on the impact of state-owned enterprise privatization in developing and wealthy countries has produced conflicting outcomes. Instead of transferring ownership for economic gain, some academics argue that the government should enhance state-owned enterprises by improving their efficiency and competitiveness. (Ntiri (2010), Wei et al. (2003), and Chidozies et al. (2015)). Academics and public politicians have been divided about the SOE's inefficiencies and the government's resistance to relinquishing these assets to the private sector. The empirical evidence of privatization's impact on SOE operating efficiency is mixed, with some data indicating a favourable association, while others indicating no relationship. (Ochieng, 2014; Ahmed et al., 2015; Megginson et al., 2002) highlighting the need for the research**.** Nigerian research on the effects of privatization. There is a scarcity of research on the impact of privatization on SOE financial and operational performance in Nigeria. Most studies have focused on challenges and restructuring (Nwali et al., (2019) challenges and prospects, and Omoleke, (2010) policy and prospects, and Adeyemo's (2008) reform evaluation.) Privatization is a type of economic reform that aims to reduce inefficiencies, encourage investment, expand private sector participation, and restructure the economy through changing ownership and restructuring the economy. However, actual evidence has not supported the goal (Adoga (2008)). These disparities highlight the need for more research on the impact of Nigeria's state-owned companies being privatized.

The Main Research Question: For the past three decades, SOEs in Nigeria have been questioned about their ability to achieve annual budget funding. The decision to privatize some SOEs is based on the fact that the government has been monitoring their actions for a long time and that some (if not all) of them are a drain on the government's financial resources. Their operations are hampered by inefficiency and widespread management corruption, according to an investigation into their actions. (Nwali.et.al

(2019)) The decision to privatize was viewed as an important step in transferring SOEs to private control and reducing government participation in business.

From the above, the following questions are clear:

1. Would privatization improve the operational and financial efficiency of the SOE (State owned Enterprise)?
2. Should SOEs be sold and why privatize?
3. What is the performance of a divestiture SOEs after privatization?
4. Why have the government taking up privatization program?
5. Is there alternative policy to privatization?
6. What theories are adopted in privatization program?

The study aims: To assess the operational and financial efficiency of privatized state-owned enterprises.

The Research Objectives: The study is to pursue the following objectives:

1. To explore the financial and operating efficiency of SOEs
2. To investigate the privatization program in Nigeria, the pattern, and types.
3. Assess the privatization impact (Pre and Post) on the SOEs.
4. The lessons and recommendations of privatization study.

The Object of the Research: Privatization on the SOEs performance in Nigeria.

Research Method: The study will be conducted using a quantitative approach that includes data collection and analysis. Using published financial report data (secondary data) of selected enterprises, descriptive statistics are utilized to examine the post- and pre-privatization period. The research will use regression analysis to examine the variance in factor between the pre-privatization and post-privatization periods, employing pool panel cross-sectional data.

The Scope of the Study: This research will examine the empirical evidence of privatization in developing and developed countries, with a focus on the impact of privatization on Nigeria's state-owned enterprises. A total of ten (10) companies from the telecommunication and banking industries will be chosen at random from the Nigerian Stock Exchange floor. These businesses are viewed as critical to the country's long-term economic development and growth. The companies are chosen at random based on their financial records from the previous ten years, both before and after privatization (1985-1994). (2010-2019).

Limitation of the Study: The difficulty in getting published data for privatized firms limits the investigations in Nigeria. Privatization data are considered sensitive and private, they are available for use within ten years period of privatization based on law but the government officials and private sector people see inquiries as a witch hunt for unfair sales and illegal wealth probes.

1. THEORETICAL ASPECT OF PRIVATIZATION

This chapter intends to analyze the privatization program following the various global debate on SOEs and private ownership being resolved. However, such a conclusion is incorrect since advocates of state ownership might view the postwar expansion of state-owned businesses, and conclude that their economic model has an edge over free-market capitalism. The goal of the study is to investigate the empirical evidence on the impact of privatization as an economic policy. Therefore, in this study I shall attempt to look at various literatures on privatization, frame and answer some questions, to address and explains some of the benefits of selling state-owned assets. Though in this study, I shall attempt to act as research advisor battling with practical issues of how to perform a privatization program. The study shall give details on some forms of privatization as an economic policy by answering some key questions.

The research is organized as follows: Historical overview of privatization, Theories and methods, A review of empirical evidence of SOEs and private owned firms. privatization transaction in multiple, single, and transition economies like transition economies, Africa, China, Central & Eastern Europe and also including Nigeria, The challenges, institutional framework and processes despite scanty studies. Furthermore, an examination of the matter of whether privatization program have caused significant changes within the operational and financial performance of the divested firms. Finally, the summary analysis and conclusion of the findings of the study.

Privatization may be a broad issue, and remains an unresolved debate among economist. It comprises various operations like the introduction of private capital, sales of government assets, and transitions to private economy. However the three major features of privatization is ownership measures, organization structure and operational measures, all these measures are put to ehance the system of privatization in terms improvement, and efficiency of the SOEs by various governments. Various countries in developing and developed economies have their own enterprises, even though SOEs have mixed meanings. Although it means that the government have direct control over the ownership of the business enterprises. They have legal status to function in economic value, social, sustainability, livelihood and others to support themselves and achieve development, fulfill the purpose of existence, and create income without incurring losses. Many developing and transitional economies have chosen to adopt privatization programs to encourage economic growth, achieve macroeconomic stability, and reduce public sector spending, however, critics have argued that privatization is capitalist oriented and would lead to short change in the labour force resulting in redundancy, pay cuts, downsizing, retrenchment for improved profit margins of new investors in the privatized firms. However , empirical evidence have shown that many of the SOEs do not contribute to the expectation of the government. (Oyedeji et.al. (2019), Ramanadham (2019), and Adoga et.al. 2008).

Though privatization has taken a new global dimension and a structural reform in many economies since the 1980s. The role of government in business management have been a source of worry among people and researchers. The great depression, and World War Two, push many government in the World to ownership of production, and provision of various types of goods and services. In the United Kingdom (UK) under the Margret Thatcher era in 1979 the government owned the Utilities, postal services, transportation and telecommunication. While in Nigeria, there was also greater government engagement since independence (1960) in economic operations such as utilities and other critical public services but unfortunately, most of the SOEs are inefficient, causing large financial losses, and straining on the government's national budget. Although the SOEs in developed and developing countries also are to provide public economic activities but where hotbeds for inefficiency, corruption, dominant trade union, and politicians use the opportunity as a means of wealth package instead of promoting the interest of the enterprise objectivity. In the 1980s, Margret Thatcher, the prime minister of the United Kingdom was the first to introduce the transfer of SOEs to private ownership through the process of privatization and others follow in Europe. Adenauer government in the Federal Republic of Germany in 1961 sold a majority stake in Volkswagen in a public offer of shares to large small investors. The privatization program reduces the government's budgetary burden by offering new sources of revenue and breaking monopolies through secondary share sales. (Etieyibo, 2011). This increases competition among privatized firms. Management's incentives are to manage the assets of the divested SOEs efficiently and profitably. The initiative involves transferring ownership from the public to the private sector, which poses challenges to the agency. Pursuing privatization schemes will result in the elimination of bureaucratic procedures. Because profit margins are important in the private sector, but sustainability is more important in the public sector. Several countries have adopted the privatization scheme to reduce the cost of governance.

The question, Would privatization lead to improvement in the financial and operational efficiency of state-owned enterprises after divestiture?

Kalajaiye (2013) defined privatization as the creation of freedom from direct state control, and transfer of business undertaking to private hands.

The World Bank (2010), definition, states that privatization is the process of transferring productive operations and assets from the public sector to the private sector. It is much more than selling an enterprise to the highest bidder based on guidelines of IMF and World Bank. It occurs when the government of a country reduces shareholdings in the corporation to 25% or less.

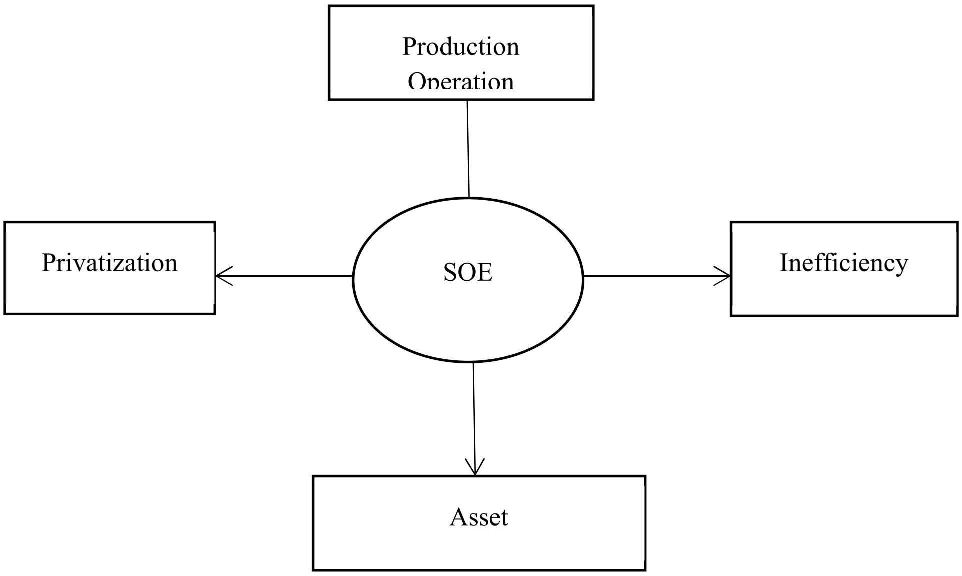


Table 1:**Privatization objectives**

Source: **Created by the author**

Kunmin, and Panchanatham (2019), further defined it as the transfer of ownership, property, or business to the private sector, where the government ceased to be the owner of the entity.

From the above, privatization could be further defined as a complete change of ownership from the government through the process of an offer for shares, leases, or vouchers to the public for participation in the management or takeover of the enterprise for efficiency objectives.

Also in our perspective opinion privatization is known as the transfer of ownership, property, or business from the government to the private sector. The government ceases to be the owner of the entity and the shares are traded publicly for the people to participate in the management of the company.

1.1 Privatization theories

Economic and political theories on privatization came into existence as a result of the following arguments (efficiency, property, and politics). These perspectives point that state-owned firms lack operational and financial efficiency, according to Boubakri et al (2008). They argued that inefficiency and value destruction are the major problems of state ownership and that transferring assets from a state-owned enterprise to a private investor would attract efficiency and economic development in an attempt to promote competition and lower the entry barrier through market forces. The various government privatization strategies are aimed to move the state-owned enterprises toward efficiency and private-sector-led growth with the use of economic and political theories. The theoretical work on privatization identifies several reasons why, even in a failed market system, state ownership has significant flaws. The question is what is the role of the state? Implicitly it is assuming the role of the state is to promote efficiency.

The following theories are explained:

1. **Coase Theory**: Mankiw, (2007) Individuals actively participate in the organization's cost-benefit analysis to generate the best solutions to the enterprise challenge of moving the state's asset to private investors to make the market more efficient, as well as active in the management of externalities. In this way, an optimal organizational structure can be maintained while costs are reduced.

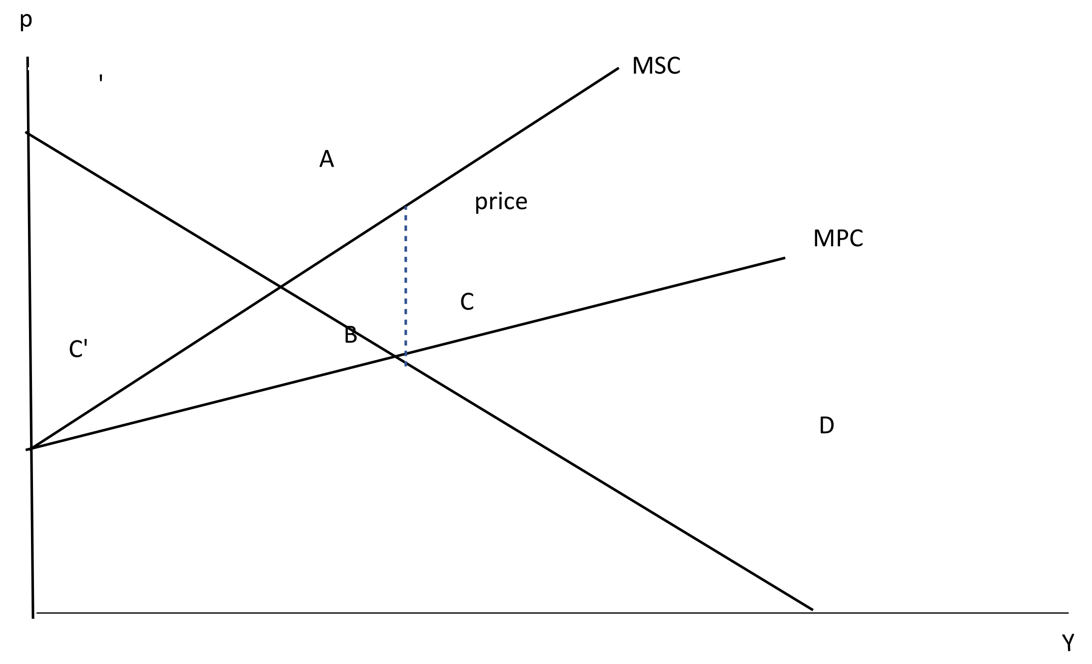


Figure 2: **Coase theory on external cost and production**

Source: **Schofield M.M. (2014)** Theory of Coarse Gaining without project operators.

2. **Political Theory**: According to D'Souza, et.al (2008). political intervention obstructs the state-owned firm's operational aims, manager's lobbying, and bribery to gain influence, and boosts state governance of the enterprise through budget padding and inefficient production.
3. **Property Right**: According to Boubakri, et.al. (2008). the proponent of property rights lies strictly on individualism. He states that a laissez-fair system allows individualism and the market forces to bring about efficiency, and less government intervention if property rights and market forces are broadened, rights of ownership such as the right to use asset, alter the form, change location, and others.
4. **Efficiency Theory:** They claimed that while inefficiency and value loss are the primary issues with state ownership, privatization entails a movement to increase efficiency. Unlike state-owned firms, which are plagued by inefficiency and value destruction, the private sector is encouraged by the reward system, and a desire to use scarce resources efficiently. According to Kabir. (2013), privatization shifts the state's focus from political to economic purposes, allowing for the development of a highly robust market economy. The projected response to the privatization of SOEs is an improvement in financial and operational performance, based on the assumption that the increase is due to investor control. The danger of dismissal for underperformance by managers, the introduction of newly qualified management, and the level of government minimal engagement in the running of the business all contribute to the firm achieving its goals. (Trans, 2008).

1.2 Methods of transferring state-owned Assets

Why do countries embark on privatization? The method of selling state-owned Assets is different among countries. Some factors bring about the decision of privatization. Empirical evidence has shown the important process by which SOEs assets are being transferred to private ownership by the privatizing government. The evidence made by various privatizing governments shows that the decision is sometimes over politicized and might be hard due to some economic factors such as assets valuation and others.

These factors can be summarized as follows:

1. The government perspectives of the markets and regulations that the principles of competition under which investors involve in transactions are independent and equal based on the adherence of the market principles and practices.
2. The history of the asset's ownership should show the asset beginning and closing balances of the asset accounts as well as the various transaction type. for example, acquisition, retirement, and revaluation.
3. Government consideration to allow foreign investors to own divested assets in genuineness for investor's property rights after divestiture. The fairness and transparency allow for investor's confidence to participate in the privatization process without fear of loss in the acquisition of the asset.
4. The capital market soundness and existing institutional framework for corporate governance in the country: Where there is an effective transactional efficiency that brings suppliers together with those seeking capital and securities trading with ease and transparency.
5. The financial and competitive position of the SOEs: Where private sector participation is imminent and key to the competition of the SOE's.
6. The present, past, and future framework for the privatization process: where the privatization process is documented and regulated with guidelines for successive government's implementation.

The decision from different countries have shown some of the factors that affects assets sales. Although we have a limited understanding for the determinants and implications of the privatization method of SOEs in some of these countries. Theoretical evidence from Central and Eastern Europe, Transition economies, and Africa show the method of privatization of SOEs. Megginson et.al (2000) Present a classification of privatization using Central, Eastern Europe, and China model. The various classifications are

1. **Sales of state property:** According to Megginson, and Dsouza (2000), most governments trade the physical assets for an explicit cash payment. This could be through direct sales of the SOEs to individuals, corporate body and a group of investors. While the offer of shares, all the government stakes in the SOEs are sold to investors through offers for sales to the public for purchase.
2. **Restitution:** According to Megginson,et.al. (2005) this method is the process of returning the right of property to the original property owner over a due claims by

the state. The full compensation is given by the government to the land owners. The process involves when land and property that were expropriated for years by the government is been returned to the original owners or heirs. This type of privatization was observed mostly in Eastern Europe and the Czech republic where up to 10% of the value of state property are restitution claims in the 1990s. The disadvantage of this policy is proof of ownership.

3. **Voucher sales:** according to D'Souza, and Megginson (2002) this is a form of documentation that gives the buyer right of ownership for the purchase of the sold property by the government. It allow the eligible citizenry to use vouchers that are distributed free or at nominal cost to purchase for holdings in the SOEs being privatized. This method is used in the transition economies of Central and Eastern Europe. Where it brought fundamental changes to the ownership of business assets.
4. **New private Business start-up:** according to Estrin, and Svejnar,. (2007) this method encourages new business owners to begin businesses with the support of the government. It was mostly carried out in formerly socialist countries but has completely progressed in many countries in the transition economies including china, central and Eastern Europe, and Sub-Saharan Africa.

1.3 The Efficiency of SOEs Versus Private Ownership:

This part of the thesis examines the privatization effect of SOEs by comparing government and private ownership financial efficiency. Empirical evidence discusses the pre and post privatization era of SOEs even though it difficult to compare both entity due to data problem, omitted variables, endogeneity, and selection bias to confirm the appropriate benchmarks with limited private sector in developing economies. Furthermore, the reason why government owned certain firms and others are private owned, as well as the perceived market failure within the sector. These features will determine if the firm is publicly or privately owned could have significant changes on the performance. However, it is difficult to assess the impact of government ownership in situation where the ownership structure is endogenous with a system that pursue political and performance goals. Even at these problems various empirical evidence has compared SOEs and privately owned firm performance in several situation with success:

Dewenter and Malatesta, (2000) examine the effect of government ownership and privatization using a large sample of the firm from 1975-1995. They use regression analysis explaining profitability by controlling for the size of the firm, location, industry, and business cycle. The result shows that net income base profitability improved significantly after privatization but operating-based measures did not even though operating profit increased before divestiture, once more supporting the vision that privatization will have a significant impact in the future.

In another study, Megginson, and Dsouza, (2000) used information from the annual report and secondary data to investigate the pre-and post-privatization financial, and operating performance of 85 companies from 13 (non-industrialized) developing, and 15 industrialized countries that experienced full or partial privatization through public share offerings during the period 1990 to 1996, for the entire sample of enterprises following privatization, the results reveal considerable improvements in profitability, real sales, operating efficiency, and dividend payments, as well as large reductions in leverage ratios for the majority of the sub-samples analyzed. Even though capital investment spending and employment levels declines, these changes were statistically insignificant. When compared to earlier research, their findings strongly show that privatization improves, although it was an improvement of previous studies which takes into consideration a large sample of the firm for a different period and took inflation-adjusted sales and income data for different countries.

Megginson,and Netter (2001) reviewed other 38 studies and the performance of privatized formerly state-owned enterprises in terms of measured indicators like operating efficiency, and ownership structure in developing and developed countries in transition economies, as well as in competitive, and non-competitive markets, but mostly in utilities. They improved on previous studies by comparing the state and private ownership using ownership structure and other factors as inflation-adjusted sales and economic factors. They estimate the post-privatization changes in capital investment spending, output, efficiency, and profitability occur in the majority of non-transition economies, assuming a decline in leverage. However, they did not agree on employment changes, with some indicating significant gains, others indicating decreases, and still others indicating minimal changes in employment as a result of privatization. On the basis of ownership, they distinguish between Central and Eastern Europe, as well as the former Soviet Union (Russia). The findings from Central and Eastern Europe show that private ownership is associated with improved performance, that foreign ownership is also associated with greater improvement than domestic ownership, that most ownership through outside investors results in greater improvement than inside control, that the advantage associated with outsider investors is restructuring of the firm at all levels, and that most ownership through outside investors results in greater improvement than inside control..

While Estrin and Svenjnar's (2002) investigation differs significantly from Megginson, and Netter's (2001), They compared post-privatization performance in medium and large enterprises in the Czech Republic by distinguishing ownership type. In their findings, they rejected the notion that privatized foreign or domestic enterprises with moderate or high ownership concentrations result in higher sales. Domestic and foreign privatized enterprises with minority and dispersed owners outperform state-owned firms in terms of profitability. Firms with dispersed ownership have a greater profit growth effect than firms with concentrated ownership, indicating that managers have more autonomy and support for the initiative. Foreign owners with high or moderate ownership concentrations, like the majority of domestic owners, have reduced financial leverage. As single biggest owners (SLO), domestic banks and portfolio companies are unable to execute major restructuring, but foreign industrial companies (Single Large Owners) have implemented restructuring changes in operations and finance from the state ownership standard in terms of labour cost. The impact of single large owners is unaffected by the concentration of ownership of the single large owner. In conclusion, private ownership is connected with improved performance in some metrics but not in others, and that distributed ownership produces better results

Boukbari, et.al. (2005) they investigated newly privatized enterprises in Asia, as well as the evolution of private ownership structures. They concluded that privatization improves the profitability, efficiency, and productivity of state-owned firms in Asia. In comparison to earlier empirical studies on the effect of privatization in developing nations, employment grows insignificantly, indicating that major improvements in Asia, where most firms are partially privatized, are less significant than those observed in other studies. They went on to explain that some aspects of corporate governance and the economic environment, such as lower political risk, a more developed stock market, international investor engagement, and a favourable institutional environment, are connected to better performance following privatization.

Estrin, et.al. (2007) went further on the endogeneity issues that araise in the privatization impact in transition economies and communist China. They used a better approach in their research and found that selling SOEs to foreign owners boosts efficiency, but the same cannot be said for China. The findings in China suggest that privatization to domestic owners enhances performance dramatically. In the post-communist economy, concentrated private ownership has a greater impact on performance than dispersed ownership, but joint ventures rather than wholly-owned foreign enterprises have a better effect in China. However, there is no drop in the number of workers or collective ownership. The new enterprises are more efficient than firms privatized to domestic owners in the post-communist economy, and overseas firms are more efficient than domestic firms. That privatization is not linked to reduced employment, when combined with complementary changes, they improve performance. That to develop SOEs, domestic managers have less expertise and access to global markets

Suchard, and Singh, (2007) look at the early and long-term performance of privatization, Initial Public Offers in Australia, and the United Kingdom, as well as the factors of underpricing. They combined earlier empirical studies on privately owned IPOs with three novel factors related to privatization their analysis. Although the elements and objectives of the privatization initiatives are identical, the results demonstrate that privatized state-owned corporations in Australia and the United Kingdom are underpriced when compared to private-sector Initial Public Offerings. As a result of the long-run effect, Australian privatization was unable to outperform the market, but it did greatly outperform Initial Public Offerings of privately-owned enterprises. Privatization enterprises in the United Kingdom performed poorly in the first year after being listed but recovered after 3-5 years.

In separate research, Jerome (2008) evaluated the post-privatization performance of three Nigerian privatized enterprises: Uba, Ashaka, and Unipetrol. Profitability, productive efficiency, employment, capital investment, output, pricing, and taxes are among the performance metrics studied. The study compares the average value of any of the supplied performance metrics for 5 years before and 5 years after privatization to see how they have changed. The level of operating efficiency in the selected firms was assessed using data envelopment analysis (DEA). However, the results are varied, with large gains in the measured metrics of profitability, efficiency, and employment, among others. That Privatization is linked to higher operational efficiency in the impacted businesses. They went on to say that the primary benefit of privatization in Nigeria has been the elimination of politically influenced resource allocation. The government's purposeful policy of shifting resources to their cronies and supporters is the primary reason for Nigeria's inefficiency in public enterprise. Managers are underpaid, and previous politicians, including both military leaders, have abused the program to benefit supporters. Policymakers and their cronies profit from buying assets on sale because of supportive employment targeted investment, and deliberate underpricing for politically connected suppliers.

Finally, Bachiller. (2017) uses a meta-analysis approach to analyze the performance of privatized companies in 48 countries, using a sample of 60 empirical studies to see if different results can be obtained on performance depending on the method of privatization and the level of privatized companies' economic development. The findings reveal that companies privatized through public selling perform better than those sold through alternative means, such as a private sale or voucher privatization, and refute numerous notions that privatization in developing nations does not affect financial performance.

Empirical evidence on the state and private ownership performance indicate that the results are consistent with the scholars from other single and crossed examined countries. This is truly evident in three studies such as (Megginson, and Netter, (2001), Estrin, et.al. (2007), and Bachiller.(2017)). Megginson, and Netter is considered the most well-researched worked compared to other scholars they took into consideration inflation-adjusted sales and income data for different countries with a large sample size and improvement on their previous work by differentiating ownership type. They oppose the notion that privatized foreign or domestic enterprises with moderate or high ownership concentrations result in greater sales in their findings. That domestic and foreign privatized enterprises with minority and dispersed owners have higher profitability than state-owned firms. While Bachiller. (2017) result is consistent with Megginson, et.al. (2002) but used a different approach of meta-analysis for over 48 countries for companies that were privatized, using a sample of 60 empirical studies to see if different results could be obtained on performance depending on the method of privatization and the level of privatized companies' economic development. The conclusion state that companies privatized through public selling outweigh those sold through alternative means, such as a private sale or voucher privatization. Finally, Estrin, et.al. (2007).their evidence is a combination of transition economies and China That the selling of SOEs to foreign owners boosts efficiency, but the same cannot be replicated for China. The findings in China suggest that privatization to domestic owners enhances performance dramatically. Also, they noted that good corporate governance, well-structured institutional framework, and stable economic environment is a key factor for a developed capital market, before privatization program can ensure investors' confidence.

1.4. Empirical studies of privatization in transition economies

This chapter examines empirical evidence in the transition economies that include Central and Eastern Europe and those of Russia and other republics of the former Soviet Union, and China evidence. These countries used various methods to privatize SOEs, such as Assets sales, vouchers, Lease, share offerings, and other techniques during the period of 1990s. The methodologies though differ but summary evidence is analyzed in the evidence of the study.

Djankov et.al. (2002), analyze the effect of privatization on business performance (productivity, sales, profitability, and employment) in transition countries. Instead of depending on the abstracts of the research, they employed a meta-analysis approach to aggregate the results of over 100 empirical studies. Their strategy addresses the differences and the extent to which study results alter. emphasis were placed on methodology, after taking into account the quality of the analysis based on processes, and methods used across the region. The findings demonstrates that privatization is linked to improved performance. They concluded that state ownership in traditional state enterprises had a lower influence on performance than any other type of ownership except for worker ownership which harms the firm's performance. Foreign ownership has a greater impact on performance than local ownership, privatization to foreigners is three times more productive than privatization to insiders. Nevertheless, this effect varies by area.

In their study, Wei et al. (2003) look at the privatization performance of 208 enterprises privatized in China between 1990, and 1997. They use secondary data with a full sample size of firms that have completed public offerings. A pair matching approach was used to analyze for six years, three years before, and three years after privatization, and the results show significant improvements in real output, real assets, and sales efficiency, as well as declines in leverage, but no significant improvement in profitability compared to before privatization. They say when a company transfers more than half of its voting control to private investors through privatization, it sees a significant boost in profitability, employment, and sales efficiency compared to those that remain under state control. They went on to say that privatization works in China, particularly when control is transferred to a private investor.

Assenegg, and Jelic (2007) in their study looked at three Central European Transition Economies from 1990 to 1998 and found no indication of a significant improvement in operating performance for the first six years after privatization. They confirmed that privatized enterprises see no improvement in profitability, capital investments, efficiency, or output. That there is a significant loss in employment and increase in borrowing contrary to empirical data for non-transition economies. The country's timing effect of privatization sales, industry classification, and state ownership following privatization are all predictors of performance changes. Other empirical evidence with Saul Estrin et al. supports the conclusions

Nonneman, and Jorissen. (2015) improved on their methods and drawbacks of a prior study by adjusting for concurrent effects of other economic factors affecting business performance using the difference in difference analysis (difference-in-difference with control variables). They use propensity score matching to create two control samples made up of full-period of State-Owned Enterprises for firms privatized in 2006. A non random sampling method was used, data drawn from the Vietnamese General Statistics Office's (VGSO) from 2004 to 2008, consisting of financial reports and all Vietnamese businesses. Their work focus on a sub-sample of enterprises that changed ownership from state-owned or collective ownership to private ownership in the Mid period, allowing for pre-privatization and post-privatization transition observations for the same company. They use a multivariate approach to control for the age of the firm, firm size, and industry to overcome the shortcomings of sample prior-posterior comparisons, and concurrent effects of other economic factors on privatized firms. The difference estimators are embedded in an interaction term between a privatization dummy and time. The difference was created by removing the probable influences on performance from other characteristics such as size, age, and industry, as well as time-dependent aspects. Switchers outperform their peers from non-switched SOEs and private enterprises in terms of profitability, according to difference estimators incorporating control variables. Furthermore, privatized enterprises exhibit higher profitability in the post-privatized stage than their comparable SOEs, and private firms after implementing propensity score matching (with calliper matching and kernel matching) in comparison to other transition economies resulted to a favourable outcome in terms of profitability for privatized enterprises in subsequent times. Although their study shows that such inconclusiveness may be due to methodological discrepancies and a lack of sufficient control for other factors impacting company performance that may pollute results discovered by a simple comparison before and after privatization.

Although it is evident that studies in the transitions economies including China adopted different method in the privatization program. The five evidences from the studies show that Assenegg, and Jelic (2007) evidence do not follow in the same directions with other scholars in the transition economies & china that there is no significant improvement in profit, capital investment , efficiency and there is complete job loss. While Djankvor et.al. (2002) are more elaborate among others, taking consideration the difference in method, and extent to which results are alter. They put in more efforts on the method and quality analysis on the ownership structure and performance within the different region but in summary they concluded that traditional state enterprises have a lower influence in performance than any other type except for workers ownership which harm the performance but foreign ownership have immense impact when compared to local ownership.

1.4.1 Evidence of empirical studies in a multi-country and industry

This chapter examines evidence of privatization impact in a multi-country and industry study by comparing their performances.

Megginson, and Netter (2001) reviewing other 38 different studies on the performance of privatized formerly state-owned enterprises in terms of measured indicators like operating efficiency, and ownership structure in developing and developed countries in transition economies, like competitive, and non-competitive markets in utilities. Their result shows post-privatization changes in capital investment spending, output, efficiency, and profitability in majority of the non-transition economies with decline in leverage but not in agreement on employment changes. With some showing considerable gains, decreases, and others indicating minimal changes in employment after privatization. They distinguish between Central, and Eastern Europe, as well as the former Soviet Union (Russia). The results from Central, and Eastern Europe show that private ownership is associated with improved performance, that foreign ownership is also associated with greater improvement than domestic ownership, that most ownership through outside investors results in greater improvement than inside control, that the advantages associated with outsider investors are restructuring of the firm at all levels, and that most ownership through outside investors results in greater improvement than inside control. The impact of privatization on employment in most transition economies suggests a diverse reaction when various types of reforms were implemented. Their arguements shows that no single compelling methodology prove that insider control worked in the former Soviet Union.

Other studies such as (sAmos et.al (2005), Estrin et.al. (2007), W.Assenengg et.al (2007)), concluded in the same way with (Estrin and Pellier (2018)), They focus on new area privatization's distributional effects. The overall research shows a more cautious and nuanced approach to privatization. They argued that privatization does not always result in improved performance in emerging countries, strengthening of the regulatory infrastructure, as well as a proper privatization process, are prerequisites for efficiency. They went on to say that a well-designed, and robust economic reforms, continuing execution of complementing policies, the building of extremely effective regulatory competence, attention to poverty, and social repercussions, and strong public communication are the solutions to the challenges of privatization in developing nations. However, privatization leads to increase performance of privatized firms after divesture that a well-developed capital market is a key factor in actualisation of a better privatization reforms and processes to attract foreign investors. The private investors view are key components of the market in decison options inorder to take advantage of the investment opportunities in the country.

1.4.2 Empirical evidence of a single country and industry

This chapter show detailed evidence of a single country and industry of privatization impact on the financial and operating efficiency of SOEs. The research conducted in Mexico by Uddin, and Hopper, (2003) looked at the impact of privatization on the return of 13 firms. They argued that wrongful transactions harmed shareholders, creditors, and tax institutions. According to the study, their conclusion states that profitability did not increase state revenues and employment decreased, transparency in the external report was not achieved, and wrongful transactions harmed shareholders, creditors, and tax institutions

While Ntiri. (2010) evidence for the period 1990-2006, examines the pre-and post-privatization processes in Ghana for quoted firms from the Ghanian stock Exchange. He argued that profitability; operating efficiency, output, capital investment, employment, leverage, and dividend are among the firm's performance metrics even though the study sample size is small (35 employees), Wilcoxon signed rank test was used to compare the pre-and post-privatization periods with an average value of -5 years before and +5 years after privatization to determine performance measures. The conclusion suggests that there's no real evidence that privatization causes major improvement in financial and operational performance.

Alipour (2013) evidence on the pre and post-privatization exercise in Iran for 35 quoted firms on the floor of Tehran Stock Exchange in a similar study using the information of Iranian firms for the period 1998-2006 to test whether privatization leads to improve performance. The study employ a pooled panel regression model, and the result reveals that privatization does not affect the profitability of enterprises listed on the Tehran Stock Exchange indicating that the impact is entirely negative**.** The study went further to say that privatizing these enterprises has little influence on their sales effectiveness or efficiency but has high risk and debts. In order to correct these problems ownership reform is paramount, that improvement in the performance of privatized enterprises cannot be assumed to be a complete ownership shift but must be followed by other economic reforms like capital market reforms, national banking reforms, regulatory and corporate framework reforms.

While Ochieng. (2014) in a further investigation on the financial performance of Kenya Airways Limited's quoted on the Nairobi Stock Exchange. The study looked at the before and after effects of privatization using data from annual financial reports for 12 years. The population consist of senior and intermediate management personnel from Kenya Airways, as well as financial experts. A stratified random selection strategy was used to choose 37 employees for the study and SPSS statistical program was used to analysed collected questionnaire. The result shows a mixed reactions in the measured performance indicator variables in asset turnover, and income efficiency compared to othe results studies like (Alipour, (2013) and Ntiri (2010)) whose results show no real relationship. The study went further to argue that privatization has a positive effect on airline performance with profitability and financial efficiency increasing after privatization, but there‘s decline in employment and an increase in capital expenditure which is quite contrary to other scholars.

Onyango. (2014) also in a similar study with Ochieng. (2014), and others. Followed the same approach to investigate the financial performance of 14 privatized companies listed on the floor of the Nairobi Securities Exchange. The study uses improved method such as descriptive statistics, and regression to examine the performance indicators of the privatized firms in profitability, operating efficiency, output, capital investment, employment, leverage, and payout by comparing their performance using the average value for 5 years before and 5 years after privatization to determine the variance in metrics. The results demonstrate a rise in profitability, shareholder rates, operating efficiency, and capital investment, as well as a reduction in leverage which were in line with (Mulaku (2014)) but differs in the rise of employment despite the sample size of the study.

Finally, Patena, and Blaszayk (2016). In their analysis and conclusions on the effects of the Polish privatization initiative done from 2008 to 2011, after sketching a general picture of the situation. They looked at the performance of 59 companies out of a total of 458 that went through the privatization process as part of their study. The study concluded that privatization boosts profitability, labor productivity, capital investment, plough-back ratio, and leverage. Their study's outcome is equivocal, with four hypotheses verified and four hypotheses rejected. They believe that profitability did not improve significantly, but there were some constructive efforts and improvements in performance in terms of cost reduction, operational efficiency, increased investments, increased plough-back ratio, and capital structure modifications. Overall, the findings indicate that privatization works, but that it takes time to succeed.

However, from the summary evidence in a single country, and industry study show difference in method employed by various scholars with slightly different conclusions on privatization impact despite the majority of the sample size being small. The conclusions show mixed reactions on divestiture of SOEs. There is complete decline in leverage, and improvement in the operating efficiency of the privatized SOEs after divestiture in the developing countries except for (Ochieng. (2014)) decrease in employment and increase in capital spending. The scholar agrees that adequate reforms should be provided to align with the prospects of a more competitive market system as structural ownership changes alone is just a micro-economic factor that ensure improved firm‘s efficiency, and also an efficient regulatory body with tansparent framework will check the activities of enterpreneur activities of foreign investors so that the sovereignty of the state is not undermined.

1.4.3 Empirical evidence of privatization impact of SOEs in Nigeria

This chapter examines the privatization impact of state-owned enterprises in Nigeria following the decision of the government to adopt privatization reforms due to pressure from the international body like IMF, World Bank and other economic and political factors after series of debates. However, research work on privatization impact of SOEs are scanty. The chapter will discuss the privatization impact, privatization process, the legal framework and challenges due as a result of deregulation policy.

Etieyibo (2011) explained a partial privatization program evidence in Nigeria, using survey method on previous employee‘s of commercialized SOEs after deregulation policy of structural adjustment program (SAP). Argues that the policy program did not yield positive value to the Nigerian economic growth but lead to widespread inefficiency, and loss of most enterprises values, and increase financial loss to the government budget due to high incident of corruption, diversion of government funds and loss of core functions.

In another study by Bethel et.al. (2019) on the commercialization of public enterprises in Nigeria, agrees with Etieyibo. (2011), that deregulation policy did not yield economic growth. They used descriptive statistics, and their result indicate corruption, indiscipline, suspicion, transparency and national sovereignity are among other challenging factors of Nigeria‘s privatization program. They went further to confirm that the parastatals inefficency increased due to poor control and supervision.

While Mohammad et.al (2012) following the benchmark on privatization performance used a different approach to examines the financial efficiency of some selected privatized firms quoted on the Nigeria Stock Exchange. They used data from the Nigerian Stock Exchange like Offer Prospectuses, and the privatization companies' financial annual reports. Their sample size were 10 firms with an average estimation period of 5 years pre-privatization and 5 years after privatization. They use Megginson's (2000) method to measure post-privatization performance changes to test for forecasts using the Wilcoxon sign ranking test for significant changes in the variables. Their results is contradictory. While some companies in the sample showed improvements in some measures following privatization, others showed decreases in some indicators. Despite these inconsistent outcomes, the overall results reveal that at least half of the enterprises in the sample size have improved their profitability. They conclude that privatization has resulted in significant improvements in terms of measurable metrics.

In separate research Jerome. (2008) evaluated the post-privatization performance of three Nigerian privatized enterprises quoted on the floor of the Nigerian Stock Exchange like Uba, Ashaka, and Unipetrol, using performance metrics such as Profitability, productive efficiency, employment, capital investment, output, pricing, and taxes in their work. They use development analysis (DEA) to compares the average value of the supplied performance metrics for 5 years before and 5 years after privatization to find difference. However, the result varies, compared to M.Yelwa, et.al (2012) , which shows no significant changes despite variance. However the result shows large gains in the measured metrics of profitability, efficiency, and employment, among others that privatization is linked to higher operational efficiency in the impacted businesses even though the studied firms are from different sectors, control factors such as endogenity was taking consideration in the study despite the sample size.

In a further review of their previous work Yahya. et.al .(2015) used the same data source, like fact Book from the Nigerian Stock Exchange, offer of Prospectuses, and financial statements of the privatized firms. The same sampled firms were drawn from manufacturing, oil marketing, banking and insurance sub-sectors of the Nigerian economy. The period of analysis covers 5 years pre, and 5 years after privatization. The test predictions follow the same techniques of Megginson. et al. (2005) in order to determine post privatization performance using t- test, and the wilcoxon sign rank test for significant changes in the variables. The results obtained were mixed, despite the sample size. Some firms show improvements in some performance indicators, while some others show decline after privatization. However, inspite of the mixed results, the overall picture shows improvement in profitability for at least half of the firms in the sample study. Overall, they concluded that the evidence do not show that privatization has caused significant improvement in all measured indicators after taking into consideration endogenity.

1.5 Analysis of privatization in Nigeria, pattern, factors, challenges, and process

The Nigeria privatization program is an outgrowth of the most debated structural adjustment program (SAP) embraced by the former Military government Major General Ibrahim Badamosi Babangida (Rtd) in 1986, which is a policy of the international monetary fund (IMF). The objective was to reduce government spending on public enterprise, so that money would be available to service over 30 billion dollars in foreign debt.

Evidence has shown according to the National Council on privatization (NCP) that Nigeria has over 1000 inefficient SOEs that depend on the government for financing. Since the program's inception, the privatization system has followed these patterns and types from different countries' evidence. To achieve an optimal privatization policy, Nigeria must consider several issues, such as which types of SOEs should be privatized, when and how the privatization program should be implemented, to whom the SOEs should be sold, price, and other issues that must be addressed. furthermore, the privatization option chosen should be determined by the divestiture's objectives. A public offering of shares, also known as an initial public offering (IPO), a trade sale, and new equity are all options, private sector investment, sale of public assets, and reorganization.

The Nigerian privatization system must consider several factors, the type that should be employed, how it should be carried out, and whom should the SOEs be sold, and the price and other issues. The options adopted by various successive governments are offered for the sale of assets, leasing, and public offering of shares to attract private investors in the participation of ownership for the government changing the status of SOEs.

1. **Sales of Shares: According** to Omotosho (2011), this is a vehicle set up by the government to sell shares outright to private companies or people. Before outside investors obtain access to cash for various stated objectives, the shares are offered for sale directly to the public through a bidding procedure, as well as to those already in the private investors in the organization through an organized capital market (NSE).
2. **Asset Sales:** According to Dombin (2014), this refers to the total selling of state-owned enterprise assets to the private sector. It involves a state-owned enterprise's actual asset, whether tangible or intangible, in which the seller retains legal title but no further recourse on the asset sold. In asset sales, the new buyer (investor) assumes no responsibilities.
3. **Lease:** A contract describes the parameters under which a private corporation assumes the responsibility of operating and maintaining a public-owned firm's asset, according to Basiru (2015). The government retains both ownership and responsibility for capital investment financing. In exchange, the lessee pays a set amount regularly for a set period, with the expectation that their operations will cut costs and increase the enterprise's efficiency.
4. **Joint Venture**: A joint venture is a partnership between two or more public businesses and a private investor to start a new firm. They take over an existing state-owned enterprise's asset or a portion of an existing state-owned enterprise's asset, and each entity agrees on how the newly established venture's income and expenses will be shared. According to Aktan. (2000), the goal is to diminish the government's role in economic operations while increasing private sector participation.

5. **Liquidation:** The process of closing a firm and turning the asset into cash, distributing the remaining assets to settle a debt, or reaping earnings, according to Ntiri (2010). When a company or organization's operations are no longer operational and it has accumulated debts and liabilities, the government decides to liquidate it.

1.5.1 Factors that calls for Privatization in Nigeria

Academics and economists have debated the role of government in business and economic functions. The debate expands to include welfare economics, public finance, and econometrics. According to Mankiw, and Friedman, (2007), privatization is the transfer of production and control of businesses from the public to the private sector. The Nigeria's ongoing economic difficulties and development is due to large reliance on public institutions. The request or call for change in ownership structure is a result of economic inefficiencies in public-sector firms and failure to make annual budget remittances to the government.

According to Adoga, (2008), the policy framework from the international institution is expected to achieve the following objectives in Nigeria to reorganize and prioritize the public enterprises to reduce the dominance of unproductive investment in the economy and increase government revenue to invest in tangible public interest like education, health and other infrastructural that would bring about development. In this evidence, we analyze some theoretical studies that arise as a result of the faceoff of SOEs and private ownership in the promoting of efficiency, that privatization is a response to a failed state ownership.

The argument in the debate explains that privatization's impact depends on the extent of market failure. Scholars such as Shirley and Walsh (2000), stated that there should be important efficiency gains from SOEs to private ownership in a competitive structure. They went further to argue that effect of competition can be strong that SOEs within an increasing business environment would be forced to respond to pressures that would maximize production efficiency without ownership change of privatization. Empirical evidence from china shows that SOEs restructuring, focusing on improving the allocation of property rights and incentives could yield large gains even without privatization. But the question will reform and privatization increase the performance of the firms. Unfortunately, this little evidence cannot be proven and developed because reform benefits without privatization come primarily from one single country-specific factor.

The following conditions and recommendations resulted to privatization in Nigeria:

1. International organization pressure such as international monetary fund and World Bank as a precondition for financial assistance for debt relief and loan forgiveness request approval. Almost all governments in Nigeria have continued to bow down to pressure of privatization policy implementation to benefit international organization assistance. The government of Chief Olusegun Obasanjo and Shehu Umar Yar'dua pursued these reforms due to international organization requests.
2. Competition enhancement, the government pursues the privatization process to increase competition through the forces of demand and supply. The continuous fall in the operating and financial efficiency of the public sector enterprises is better managed in private sector management through the privatization process.
3. Reduction of government budget expenditure on the public sector financing to encourage for a private sector-driven economy that allows for competition, efficiency, and production increase.
4. The capacity to maximize the market for enterprise-driven objectives. The increased efficiency and production through redirecting of government activities at economic goals will strengthen the private sector in investment promotion and economic development by reducing leakages in the public sector rather than restructuring but restoring confidence of foreign investors and attracting new technologies.

In our personal perspective the main reasons for privatization in Nigeria are because of failed market system and gross SOEs' inefficiency and their over reliance on government for funding, also high level of corruption from employees and political office holders due to lack of transparent and effective control system in those parastatals of government.

1.5.2 The Policy Framework

In 1989, the Federal Military Government bowed to the financial institutions' suggestions on privatization, and the first stage was the establishment of a technical committee to oversee the privatization of state-owned enterprises in Nigeria. (TCPC) According to Adoga. et.al (2008), their tasks included selling government equity on the Nigerian Stock Exchange for banking, oil and gas, manufacturing, power, and other industries (2012). According to Nwachukwu et.al (2015), the government decision paid off in 1999, when a program to transition the Nigerian economy to a private-sector market was implemented successfully. The flood of funds from private investors bolstered the state-owned enterprises.

In 1999, the government took a further step to modernize the process by forming the Bureau for Public Enterprise (BPE). The National Council on Privatization (NCP) was also formed to oversee the work of the privatization commission (BPE) Through the promulgation of the public enterprise decree 1999 act, the NCP took over the supervisory responsibility from the TCPC (Privatization and commercialization).

In 1999, President of the Federal Republic of Nigeria, General Olusegun Obasanjo, defined Nigeria's privatization policy framework and released a statement based on the establishment of the National Council on Privatization, as required under the public enterprise legislation of 1999. (Commercialization and privatization) The bureau of public enterprises was tasked with carrying out sector reforms and liberalization of key economic sectors, primarily the infrastructure sectors, as well as formulating new policy, establishing a legal and regulatory framework, and structural changes to the sectors and institutional operations during the first phase of the federal government's privatization program. According to Oyedeji et.al (2019), the Nigeria privatization program realized N4.27 billion in revenues of privatization through the Bureau of Public Enterprises from various privatization deals in 2004, 2005, 2006, and 2008 under the leadership of President Musa Yar'Adua and the Jonathan Administration. The company made a $32.5 million profit by selling state-owned businesses to private buyers. From 2010 to 2020, the bureau of public enterprise has completed the process of privatizing pending SOEs such as the electricity industry, oil and gas, and others that were deemed inefficient for the private sector. The BPE is required to comply with the following laws as listed in the privatization hand of 2010 to include:

1. Prepare the public enterprises proposal for approval by the council
2. Advise the council on the further public enterprise that needs to be privatized
3. Advise the council on the capital restructuring requirement of the public enterprises to be privatized.
4. Implement the council policy on privatization framework

1.5.3 The Nigeria privatization process

Despite various government economic policies, Nigeria's privatization program has taken on a variety of guises. Since 1989, evaluations have revealed that the privatization policy has partially failed as a result of successive governments failing to implement the guidelines and policy framework established by international institutions like World Bank and IMF. Privatization processes in Nigeria have gone through four different stages of implementation since the military regime transitioned to civilian rule:

Former Military President General Ibrahim Badamose Babaginda (Rtd) began the process of partial privatization of Nigerian SOEs through liberalization and commercialization. Section 14 of the Privatization and Commercialization Decree of 1998 refers to the relinquishment of some or all of the Federal government's equity and other interests. The deregulation policy entails the elimination of regulations to make the economy more competitive and open. According to Anugwom (2011), the commercialization and liberalization policies implemented over the years have had both positive and negative socioeconomic consequences. However, the policies have accelerated economic development in some countries around the world, compare to the Nigerian system, where failure is due as a result of bad implementation by various successive governments and political interference in the management of SOEs.

While Etieyibo (2011) explained in a study of a partial privatization program evidence argues that the commercialization program did not yield positive value to Nigerian growth in the first phase of privatization. It leads to widespread inefficiency, and loss for most enterprises, and a complete burden to the government. However, due to these enterprises' continuous losses, the second phase of full privatization of SOEs program began in 2000 by The first transition civilian President General Olusegun Obasanjo (Rtd) with the establishment of the Bureau of Public Enterprise with over 589 corporations identified for privatization. They include firms from the petroleum, minerals, power, telecommunications, development banking, manufacturing, and steel sectors, which account for more than 40% of total GDP. Between 2000 and 2006, the Nigeria privatization program generated over 150 billion nairas through the sale of Nitel (communication) and Nigerdock (shipbuilding) alone, as well as others such as Delta Steel Company for 30 million dollars and Calabar cement for 216 million nairas.

The proceeds were deposited in the Assets Sales Account as an independent revenue source, from which they were transferred to the Federal Government's Consolidated Revenue Funds for use in funding the federal budget (Bureau of statistics handbook 2010). Despite the large sums of money realized from asset sales, there is still significant unemployment and increased poverty, as the privatization program is supposed to alleviate.

The Third phase of privatization began from 2005 to 2009, the essence of the program iss to guarantee rapid and irreversible progress to the Nigerian economy with improved welfare to the people. Chidozie et.al, (2015) and while the fourth phase of the program is the completion period for pending SOEs not privatized by the bureau for public enterprises after proper evaluation.

However, most Nigerians hold different views on the contribution of privatization in the last three decades under review. In our perspective opinion the desired objectives of the privatization policy which includes: efficiency, quality service delivery, accountability, transparency, among others have not been achieved. The use of historical approach discovered the following discrepancies in the policy; that corruption, inequality, unemployment, and poverty which the privatization is supposed to address remain the same after the implementation of the policy.

Following the discrepancy in the privatization policy, it is not the only remedy to the Nigerian ailing public enterprises. That, for the policy to achieve its goals, the government must provide a method by which these enterprises may be evaluated after the privatization process to see whether the program has resulted in economic development. After examining the effects of privatization policies, it is necessary to provide recommendations for future considerations. The revenues accrued from the sale of government properties should be reinvested in a tangible public interest, such as education, health, and other social services. There is a need for government to keep reliable data on the employment levels, especially before and after the privatization exercise to see whether employment is increasing or decreasing as to douse unnecessary tension of labour unions. Also, the government should make it a priority to put in place a framework to prevent anomalies and other forms of corruption related to the policy. The government should also ensure that a few individuals do not use their ill-gotten money to control the economy and make every effort to reject any attempt by international organizations such as the IMF and World Bank to re-colonize us through the World Trade Organization (WTO) all in the name of economic liberalization and privatization.

1.5.4 Development & Challenges of Nigeria Privatization Processes

The purpose of Nigeria's privatization is to restructure the country's economy into a private-sector-driven system in which the government will focus on governance. From 1999 to date, the Bureau of Public Enterprises (BPE) has been tasked with luring local and foreign investors to satisfy the government's goals for a private-sector-driven market. The practice has sparked a variety of arguments among scholars, The process is viewed as an effective method for increasing competition and economic growth by proponents of Coase theory, efficiency theory, property theory, and political theory, while others argue that it violates worker rights and the government's failure to meet the set objectives of public infrastructural services for the public sector, (Boubakri, et al. 2004).

The continuous decline in Nigeria's oil earnings, and as well as the global financial crisis, have influenced the public sector's performance. People have advocated for the privatization of public corporations to eliminate inefficiencies and foster new ideas for SOEs, but this has been greeted with opposition due to the transfer of public property to a few individuals who are politicians, (Bethel et.al 2019).

From the empirical studies the Nigeria privatization process is faced with the following roadblocks:

1. In Nigeria, the exercise has been hampered by a surge in cases of corruption, indiscipline, and poor worker welfare. Corruption is a major element affecting the privatization process, as the governing elite steals from the country's purse. According to a World Bank report (2018), government officials stole about $40 billion from 1979 to 2018 through various forms of corruption, and the sales of various public enterprises processes were not transparent, the prices were undervalued, and the winners of the bids were known to be politically connected to the ruling class and elites. (Abah, and Nwaankiel, (2016)). Steel rolling mills in Osun and Nitel -Lagos were privatized sold to philanthropists both in 2005 but are yet to be in full operations to date.

2. Sales of assets to political allies. Most of the privatized enterprises today in Nigeria are owned by political allies through the networking of the ruling class to obtain bids for the privatized firms at a cheaper price. This submission agrees with the view of (Kalajaiye et.al (2013)) that government offers for sales assets and enterprises to political allies for future political patronage and reward for the support.

3. Pricing that is below market value. Most privatized businesses around the world are sold below market value. According to Ramanadham (2019), British Airways and

Ceylon Oxygen in Sri Lanka demonstrate underpricing, with foreign investors reselling at a higher price after purchase, earning over 60 million pounds, and in the same vein, Nigeria sold most of its valuable enterprise assets to Dangote at an under-valued price, earning over 60 million pounds, according to Abah (2016).

4. Lack of transparency in the privatization bidding procedure for privatized enterprises benefits foreign investors over locals, and the process for disclosing information to the interest group is also riddled with anomalies. Due to the personal interests and greed of people participating in the privatization processes, information on the main investors (profile), conditions of the agreement, and other essential concerns are not available to the public. The incident has raised several problems about the legitimacy of privatization in Nigeria.

1.6 Related Empirical evidence on the financial and operating performance of SOEs

From various empirical studies carried out across the globe shows the argument for the effect of privatization on the financial and operating performance of divestiture firms. Several of the studies have shown strong support for the proposition but some few show decline, and no significant changes in performance of firms after privatization. This chapter begins with the evidence of Megginson, and Dsouza, (2000) using information from secondary data to examine the pre-and post-privatization financial, and operating performance of 85 companies from 13 (non-industrialized) developing, and 15 industrialized countries that experienced full or partial privatization through public share offerings during the period 1990 to 1996. Their results reveal considerable improvements in profitability, real sales, operating efficiency,and dividend payments, while leverage ratios reduce for majority of the sub-samples analyzed, despite insignificant changes in capital investment spending, and employment levels when compared to earlier research which did not take into considerations of endogenity and other factors.

However, in a new study, D‘ Souza and Megginson (2001) improved on their previous work by comparing the pre-and post-privatization efficiency of 85 companies from 28 developed countries that were privatized through public share offerings between 1990 and 1996. They utilized the same strategy as Megginson and Nash (1998), comparing results to those of other completed investigations. They divide the entire sample size into five matched pairs of sub-samples to investigate the sources of any privatization-induced performance variations in their study: "Control privatizations," in which the government reduces its divestment shareholding structure to less than 50%, versus "revenue privatizations, by retaining majority voting control, New CEO Vs Old CEO . They look at whether the groups in each sub-samples have substantial differences in post-privatization, profitability, output, operating efficiency, leverage, capital investment, and employment. The findings reveal large increases in profitability, output, operating efficiency, and dividend payments, as well as considerable reductions in leverage ratio for the sample and sub-samples of the enterprises after privatization. However, capital investment and employment show quite insignicant changes but two prior studies indicate significant improvement after privatization when other controlled factors are taking into consideration.

While Megginson, and Netter (2001) examine the privatized state-owned businesses (SOEs) in OECD nations while analysing previous works. Although their studies is viewed from the perspective of policy maker reviewing change of ownership in government owned enterprises due to privatization. That government has pricing authority over the SOEs sells through public share offering, and it uses this leverage as a political, and economic tools. They went on to say that while the profitability and capital adequacy of enterprises privatized in OECD countries improved, leverage declines. They went further to say that privatization does not indicate job losses but in the average investors who buy shares in privatized companies make much higher returns both in the short and long run due to government's deliberate underpricing of share issuance across 1- 5 year investment horizons.

Svenjnar,and Estrin, (2002) investigated the performance of a nearly complete population of medium and large Czech Republic enterprises privatized. They rejected the notion that privatized foreign or domestic enterprises with moderate or high ownership concentrations result in greater sales. That domestic and foreign privatized enterprises with minority and dispersed owners have higher profitability than state-owned firms. They also state that firm's with scattered ownership have a bigger profit growth effect than firms with more concentrated ownership, indicating that managers have more autonomy and support for the initiative**.** The foreign owners with high or moderate concentrations of ownership, like the majority of domestic owners, have reduced financial leverage. The single biggest owners (SLO), domestic banks and portfolio companies are unable to execute major restructuring, but foreign industrial companies (Single Large Owners) have implemented restructuring changes in operations and finance from the state ownership standard in terms of labour cost. The impact of single large owners is unaffected by the concentration of ownership of the single large owner. Though in work they differeniated between foreign and domestic ownership reform, with foreign ownership having an edge over domestic owner but both distributied produces better results.

Djankov, and Murrell, (2002) look at the empirical evidence in the transition economy. They use (productivity, sales, and profitability) as well as qualitative indicators such as (wage arrears, new product creation, and others), instead of relying on abstract investigations, like (Megginson, and Netter (2001)). Meta-analysis is used to aggregate the results of over 100 previous studies. The study's handles the issue of disparities in quality and methods ignored by other scholars. They use strong weights and quality analysis but states that data used were not statistically significant for company performance in the Commonwealth of Independent States Countries but concluded that privatization is substantially associated with improved performance and qualitative indices of production restructuring. However, went further to state that ownership within a typical state firm has a lower impact on the firm's performance than any other ownership regime except worker‘s ownership which shows negative effect, ownership regimes vary by area.

Boubakri, et.al. (2005) investigate the post-privatization performance of newly privatized enterprises in Asia, as well as the evolution of private ownership structures. They concluded that privatization improves the profitability, efficiency, and productivity of state-owned firms. In their comparison to earlier empirical studies in developing nations, employment grows insignificantly indicating that major improvements in Asia were due to partial privatization and are less significant than those observed in other studies. They went on to say that the improved performance after privatization is linked to specific features of corporate governance and the economic environment, such as decreased political risk, a more developed stock market, foreign investor engagement, and a favourable institutional environment.

Teledy. et.al.(2005) used comprehensive panel data on state-owned manufacturing enterprises in four economies: Russia, Hungary, Ukraine, and Romania, to explore the effect of privatization on multifactor productivity in their study. They adjust for pre-privatization selection bias and assess long-run implications using the data's longitudinal dimension. Their findings are functionally robust, although selection controls are sensitive compared to scholars like Megginson et.al (2002), and Boubakri et.al (2005) .They use random growth models which suggests that the majority of the privatization boosts Multifactor Productivity by roughly 15% in Romania, 8% in Hungary, 2% in Ukraine, and 3% in Russia**.** In all the studies indicate foreign privatization increased by 18–35 per cent while domestic impacts show almost immediately in Hungary, Romania, and Ukraine, and continue to grow over time, but took five years in Russia after privatization.

Estrin, et.al. (2007). while examining the post-communist economies, and China. The result shows that privatization to foreign owners improves business performance in the post-communist economy. However, privatization to domestic owners does not improve firm performance and differs across the board due to disparities in policies and institutional development framework. The findings in China suggest that privatization to domestic owners enhances performance during the post-communist economy concentrated private ownership. That collaborative ventures in China though increased, foreign enterprises rather than wholly-owned foreign firms have a better impact. There is no drop in the number of workers or collective ownership. New enterprises are more efficient than firms privatized to domestic owners in the post-communist economy, and overseas firms are more efficient compare to domestic firms. There is no linked to a reduction in employment. They also went further to agree with the likes Alipour, (2013) and Boubakri et.al (2005), that privatization improves performance of SOEs when it is complemented by complementing reforms. Three factors influences the effect of privatization on international versus domestic owners. That domestic managers lack the necessary skills and access to international markets to enhance SOEs. They concluded that privatization does not guarantee better performance at least in the short, and medium-term, that the legal and institutional systems as well as the forms of ownership, corporate governance, access to know-how, and market are all factors of a firm performance.

While Suchard, and Singh, (2007) investigation, analyzed the early and long-term performance of privatized firms using initial public offers in Australia (IPO), and the United Kingdom as well as the factors of underpricing. They combined earlier empirical studies on privately owned IPOs with three novel factors related to privatization in their analysis. Although the elements and objectives of the privatization initiatives are identical, the results demonstrate that privatized state-owned corporations in Australia and the United Kingdom are underpriced when compared to private-sector Initial Public Offerings. The long run effect on the Australian privatization was unable to outperform the market but did greatly outperform Initial Public Offerings (IPO) of privately-owned enterprises. They observed that privatized enterprises in the United Kingdom performed poorly in the first year after being listed but recovered after 3-5 years.

In separate research Jerome.(2008) evaluated the post-privatization performance of three Nigerian privatized enterprises quoted on the floor of the Nigerian Stock Exchange like Uba, Ashaka, and Unipetrol, using performance metrics such as Profitability, productive efficiency, employment, capital investment, output, pricing, and taxes in their work. They use development analysis (DEA) to compares the average value of the supplied performance metrics for 5 years before and 5 years after privatization to find difference. However, the result varies, compared to (Yelwa A. et.al (2012)) , which shows no significance despite variance. Although their result shows large gains in the measured metrics of profitability, efficiency, and employment, among others that privatization is linked to higher operational efficiency in the impacted businesses even though the studied firms are from different sectors, control factors such as endogenity was taking consideration in their study despite the small size of the sample.

For the period 1990-2006, Ntiri (2010) examines the pre-and post-privatization processes in Ghana for Profitability, operating efficiency, output, capital investment, employment, leverage, and dividend. Although the study's sample size is tiny (35 employees), the researcher employed the Wilcoxon Signed Rank Test to compare the difference in both period with an average value for -5 years before and +5 years after privatization to determine performance measures. The findings suggest that there is no real evidence that privatization causes major improvements in financial and operational performance.

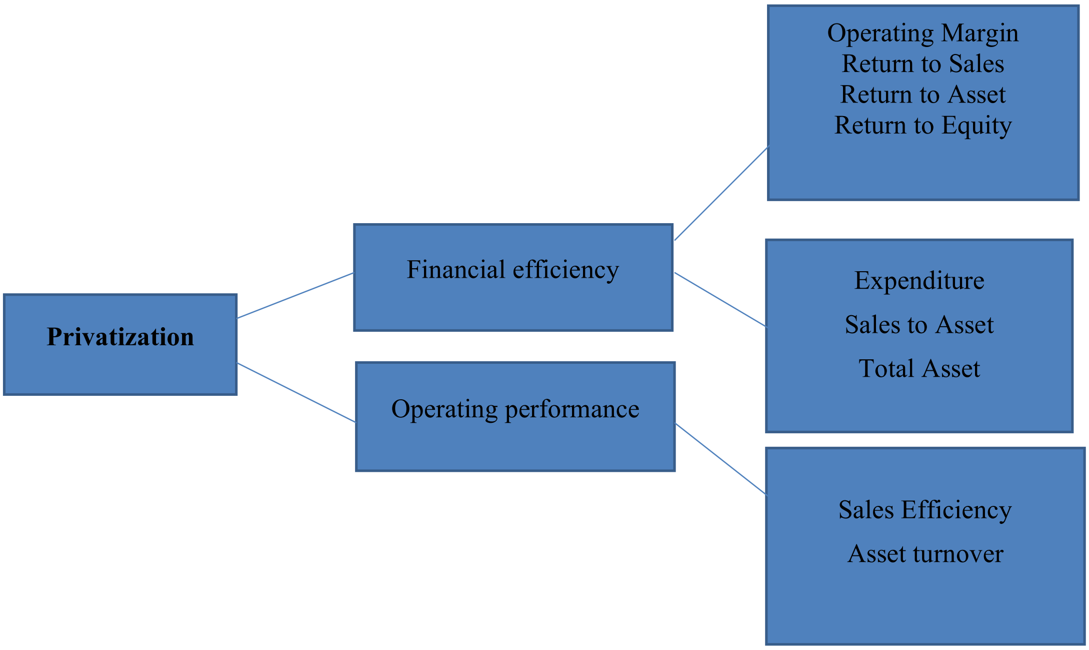
Alipour (2013) also used the same method to examine the pre-and post-privatization of 35 quoted firms on the floor of the Tehran Stock Exchange using data from 1998-2006 to test whether privatization leads to improved performance. Compared to (Ntiri, 2010) whose study‘s sample size is small, consisting of 35 employee‘s only. Improved pooled panel regression models is used in the study and the findings reveal that privatization does not affect the profitability of enterprises listed, indicating that the impact is entirely negative that privatizing these enterprises had little influence on their sales effectiveness or efficiency. Although their debts and risks grew. The researcher further demostrates to correct the problem, ownership reform is essential, accompanied by other economic reforms such as capital market, national banking , and regulatory and corporate framework .

However, Bachiller. (2017) uses a meta-analysis approach to examine the performance of privatized companies in 48 countries, using a sample of 60 empirical studies to see if different results can be obtained on performance depending on the method of privatization and the level of privatized companies' economic development. That companies privatized through public selling perform better than those sold through alternative means such as a private sale or voucher privatization and refute numerous notions that privatization in developing nations does not affect financial performance although the study uses an abstract approach when compared with other scholars.

While, Estrin, and Pellier (2018) focused on new area of privatization distributional effect in poor nations. Their study uses a more cautious and nuanced approach. They claimed that privatization does not always result in improved performance in emerging countries. That strengthening of the regulatory infrastructure, as well as a proper privatization process, are prerequisites for efficiency. That a well-designed, and robust economic reforms, continuing execution of complementing policies, the building of extremely effective regulatory competence, attention to poverty and social repercussions, and strong public communication are the solutions to the challenge of privatization in developing nations.

The evidence from various economies show that privatization program is a difficult task and required extensive involvement of both private and public sector participation to achieve success. The increase in the performance of the divestiture firm could be attributed to some economic factors such as the strength of the regulatory infrastructure, the timing of the privatization process, classification, quick access to financing and strong public communication. While the increase competition and the scope of managerial initiatives to drive the objectives of the stakeholders of the business could not be replicated in the former SOE’s due to supervision and political intervention. A visual summary of the performance of SOEs shall be depicted as:

Figure 1: Summary analysis of the impact of privatization on the operating and financial efficiency of SOEs



Source: Created by the author.

The performances of SOE's are divided into three categories: financial performance, operational efficiency, and operational leakage elimination:

Financial Performance: Return on Asset, Return on Equity, and Return on Sales are the three measures used to evaluate performance. Some writers' conclusions demonstrate that the three-performance metrics stated have a considerable impact on SOE profitability, while others feel they have a minor impact on sales and not return on equity.

Operating Efficiency: Some writers feel that the performance of privatized enterprises measured on operating efficiency has a favorable influence on sales efficiency, income efficiency, output, and dividend, while others believe that there is no gain in sales efficiency following privatization.

Eliminating Operating leakages: Operating leakages are measured in terms of debt-to-asset, debt-to-equity, and employee numbers, all of which are used to manage waste in a business. Privatization has a negative influence on waste, but it has a beneficial impact on leakage removal. Although the impact is minor when compared to assets and equity, it is considerable when it comes to minimizing waste leakages across large groups of personnel.

1.6.1 Summary analysis and Synthesis of Empirical study findings on Privatization

From various literature evidence show privatization is associated with improvement in the operating and financial performance of divested firms. Studies from single, multi-countries, transition economies, and Africa including Nigeria indicate variance in the pre and post privatization results despite difference in method among scholars. The investigated post privatization era shows significant changes in output, net income efficiency, profitability, capital investment spending and decline in leverage from scholars such as (Patena et.al (2016), Hussianatu et.al (2015), Danjkov et.al (2002), Svenjnare et.al (2002), Wei et.al (2003), Boubakari, et.al (2003), David et.al (2005), Dewenter, and Malasta (2000), and Megginson, et.al (2005)).

But not all evidence unanimously agrees on the impact of privatization on employment rate in the divested firms. Most people believe that privatization will cause the divested (SOE) firms to shed workers when sales do not increase highly to off-set the high level of per-employee productivity. Evidence like Megginson. et.al (2000), Boubakri.et.al (2005), Estrin, et.al (2007), Jerome. (2008) and Yelwa.et.al (2015) show significant changes in the employment level while just a few in the studies show decline in employment level like (Svenjnar, and Estrin, (2002) and Ochieng. (2014)). These conflicting results could be attributed to difference in method, sample size or some other omitted factors in the post privatization. Employment variance between countries and industries is due to no specific standard outcome . However, the assertion in my conclusion is that privatization does not mean automatic employment loss or reduction after divestiture of SOEs. This could only happen if sales cannot increase quick enough after privatization to write off the large productivity gains.

From my personal perspective Djankov, and Murrell (2002), D'Souza and Megginson (2001), and Suchard and Singh, (2007) are the (3) three best summarized work and the most persuasive. The strength in Djankov, and Murrell (2002) is that they did not rely on abstract approach only but looked at the disparities in quality and method ignored by other scholars by using strong weights and quality analysis in their financials and operating of the privatized firms. While Suchard and Singh. (2007) both compared the performance of public and private (IPO) factoring underpricing effect in two countries United Kingdom, and Austria with identical motives. The long-run effect in Australian confirm that it was unable to outperform the market but did greatly outperform Initial Public Offerings of privately-owned enterprises, but the United Kingdom performed poorly in the first year after being listed but recovered after 3-5 years. Finally, D'Souza and Megginson's (2005) summary on three different studies using the same method with a non-separate sample size show that privatization impact on the financial and operational efficiency of divested firms are prevalent.

From the above shows the document evidence of the performance improvement after privatization. The study went further to focus on the findings about privatization impact in the transition economies when compared to other single country and multiple due to difficulty in the privatization process:

Transition Economies Evidence test

The evidence in the transition economies show both personal contact, and logical process to examine firm's performance privatized in Central and Eastern Europe, including China. These countries evidence show differences in method of privatizing SOEs, as well as asset sales (Hungary, East Germany, and former Soviet Union), Voucher sales (former Soviet Union, Czech Republic, and China) and share offering (Poland). But their conclusions went in the same direction compared to other single and multiple industries studies with variance. The schemes in the transitions economies were done in the 1990s using different method before the collapse of socialist and communist system in the transitions economies and China. However, in my personal perspectives output increases due to ownership change in most evidence of the privatized SOEs like (Nonneman and Jorrisson (2015), Wei et.al (2003) and Djankov (2002)). In all, the scholars agree on the ownership type and distinction. They state that privatization in the transition economies show that state ownership in traditional state enterprises have a lower influence on performance than any other type of ownership except for worker ownership which harms the firm's performance. While foreign ownership has a greater impact on performance than local ownership, and three times more productive than privatization to insiders owners. However, this varies by area. when compared to dispersed private ownership, concentrated private ownership is linked to better performance. While Assenegg, and Jelic (2007) evidence do not agree with other scholars in the transition economies & china. They conlude there is no significant improvement in profit, capital investment , efficiency and there is complete job loss.

Single Country Evidence test

The evidence summary from a single country & industry indicates post privatization improvement in the divestiture of SOEs despite variance in method and sample size of the studies. The (12) empirical evidence show variance in results but in all most studies show significant increase in profitability, net income, dividend, return to sales, and decline in leverage but employment is not unanimously agreed by scholars. Patena & Blaszayk (2016) analysis came best among other evidence reviewed. The study investigated the performance of 59 firms out of 458 that went through privatization process in Poland and the outcome is equivocal with four hypotheses verified and 4 rejected. They disagree with scholars such as (Jerome (2008), Onyango (2014), Ochieng (2014) and Yahya (2015)) on the profitability improvement. While they agree with scholars like (Ntiri (2010) and Alipour, (2013)), that there is no real evidence that privatization causes major improvements in financial and operational performance.

Finally, empirical evidences from examined single, multiple, and transitions economies indicate mixed reactions in the financial and operational performance of devestiture SOEs. Though the position of scholars differs on the performance of the devestiture SOEs after privatization such as (Estrin and Pellier (2018), Patena and Blaszayk (2016), Aussenenng and Jelic (2007), Alipour (2013)), with evidences showing no significant improvement in the operating efficiency after privatization contrary to other studies like (D'Souza and Megginson (2000), David et.al (2005), Ochieng (2014), Svenjnar and Eocenda (2002), Zuobao et.al (2003), Megginson and Netter (2001), Classen and Djankov (2000), Suchard and Singh (2007)) that show increase improvement in the performances of devestiture firms in output, operating efficiency, profitability, dividend, and decrease in leverage. While the conclusion on employment is not totally agreed by all scholars. Most scholars believe that privatization cannot cause automatic employment loss as perceived by only a few. Regardless of these assertions, my position shall be based on the mixed reactions from the evidences. The changes in the performance of devestiture SOE's could be attributed to economic and political factors such as more flexible financing options, increase in competition and a well structured capital market. Also a proper timing of the privatization program. The evidences show that various government's uses different approaches in the privatization plan but the goal should be set on proper timing of the program to achieve it's aims.

2. RESEARCH METHODOLOGY

This section describes the method, strategy, and instrument that would be used in analyzing the collected data for the study. The research method gives justification for the research design, and sources of data to be selected in examining the extent of the reliability and validity of the study . To examine the privatization impact is no doubt a difficult task due to several method constrain. The study shall employ quantitative method using descriptive statistics to analyse and summarize the collected data. The method is convenient and easy in analyzing the study sample. Also Megginson et.al (2017), and Hussianatu et.al (2012), models shall be used in the study because the theoretical model support various empirical work on privatization impact and the processes is unique.

This research is motivated because of my desire to contribute to the unresolved debate in the area of finance and economics on the privatization impact of SOEs. The research problem has continued to linger for decade, and researcher are still having nightmare. I have agreed to explore this avenue to make an impact in this acamedic loophole, and bridge the gap on empirical literature in Nigeria. Furthermore, it is also part of the requirement for acamedic qualification.

To determine the factors that influence financial performance. Assets, liabilities, and equity, as well as profit derived from financial reports of privatized State-owned Enterprises utilizing market measures such as Profitability, Net Income Efficiency, Return on Asset, and leverage, will be used as a measure of performance..

The measured variables are explained using market ratios in the study:

1. **Profitability:** The profitability ratio is used to evaluate a company's ability to make money by comparing it to other financial factors including equity, assets, and expenses. These are used to compare the firm's results to those of its competitors and to see if the company is profitable over a year. The following are the ratios to be looked at.
2. **Profit margin:** It determines how much of the selling price is turned into profit. We shall calculate the ratio dividing net profit after tax by sales.
3. **Return on Asset:** This metric demonstrates how profitable a corporation is at generating profit from its assets. It gives investors assurance about how well a company converts its assets into net income. A larger proportion indicates that the

company is making more money with less investment. The return of an asset is calcualted by dividing the firm's net income by the total average.

4. **Return on Equity**: Measure how much profit a company can make with shareholder's funds, it shows how effectively shareholders' funds are utilized.
5. **Efficiency:** The ratio examines how well a firm manages its assets and liabilities. The asset turnover ratios are used in our study. To generate the asset turnover, divide the net sales or revenue by the average total asset.
6. **Liquidity**: The ability of a company to pay off its short-term debt obligations. The current ratio will be used in the study. This is calculated by dividing the current asset by your current liabilities. It shows the potentials of a company's current obligation due within a year.
7. **Solvency.** The ratio assesses a company's ability to meet long-term financial obligations. In this study, I employ debt-to-equity and interest-cover ratios. It is calculated by dividing the company's after-tax net income minus depreciation add minus the sum of liabilities (long and short term).

2.1 The Aim of the Research

To determine if privatization would lead to an increase in operational and, financial efficiency of the state-owned enterprise

Research model. The model shows the relationship between the variables for measurement. The financial performance in the model to be measured Y= dependent, while the determinants of performance of privatized enterprises are X= independent (leverage, profitability, sales & debt equity). These variables are those that quantify as asset, liabilities, equity and profit in the financial reports collected. The performance of privatizing companies shall be analyzed by employing a quantitative design in the collection of data and analysis. The dependent and explanatory variables shall be estimated using Wilcoxon sign ranking mean & median and OLS to test for significant changes in variables before and after privatization.

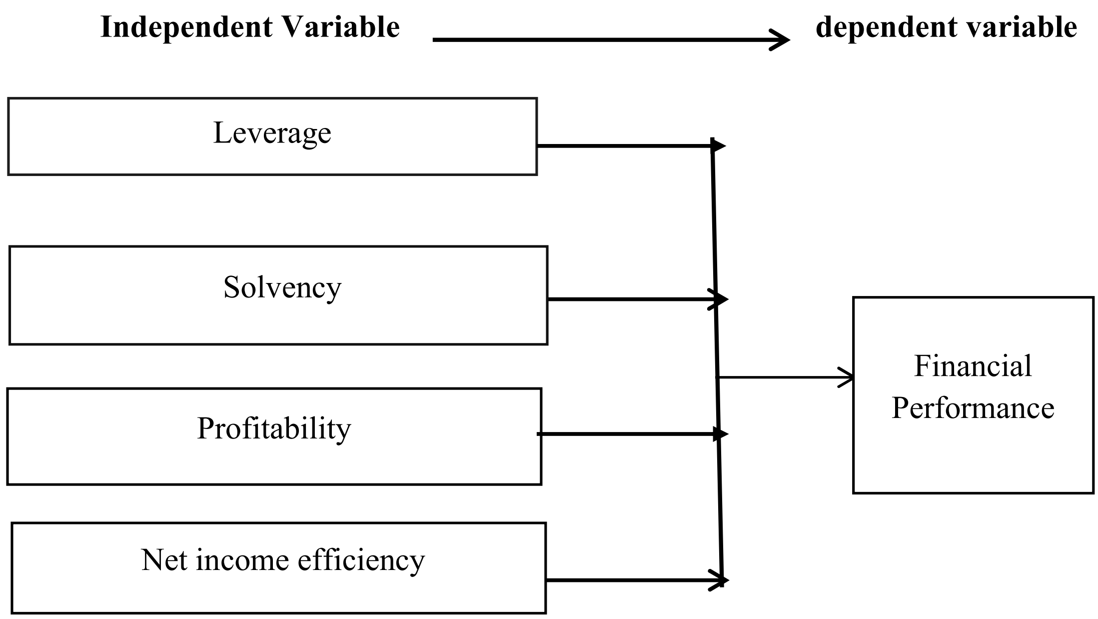


Figure 2: Model framework

Source: Created by author

To quantify the impact of privatization on the financial and operational efficiency of state-owned firms before and after privatization, a multiple regression method (a Pool panel cross-sectional data regression) is used for this study. The financial and operational performance of our independent variables are (profitability, leverage, operating efficiency, and debt-equity) and (dependent variable) privatization firms is examined using the same manner. The pool panel data method entails pooling observations from a cross-section of units over time to determine the effect.

From the model below depict the multiple Regression analysis (a Pool panel cross-sectional data regression) to measure the privatization impact on the financial and operational efficiency of state-owned enterprises. The reliability of the instrument is based on some theoretical studies supporting the aim and sources of the study's data (previous empirical work) such as (Djankov, et.al (2002) and Megginson et.al (2017)) on privatization impact of SOE's performance.

The equation and variables for the study shall be

1. $Y_{it} = \beta_O + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + \beta_4 X_4 + e$

Y= Performance

X1=Profitability

X2=Leverage

X3= Solvency

X4= Net income efficiency.

In the model, βO is a costant term while the coefficient $\beta 1 \ldots 4$ is used to measure the sensitivity of our dependent variables (y) to the unit change in the predictor variables, **e** is the error term which shows the unexplained changes in the model.

Table 2.1. Variables description and testable prediction

Indicators	**Proxies**	**Predicted relationship**
Operating efficiency	Net income efficiency (NIEFF)= Net income/no of employment	**NIEFFa>NIEFFb**
Profitability	Return on Sales **(**ROS**)** =Net Income /Sales Return on Equity (ROE)= Net income/Equity	**ROSa>ROSb** **ROEa**>**ROEb**
Leverage Liquidity	Debt to Asset(Lev)**=** tota**l** debt/ total asset Current asset to current liab=Current asset/current liab	**LEVa<LEVb** **LIQa>LIQb**

Source: Megginson W. et.al (1994) and Hussianatu.A (2012)

The study utilizes a pair matching method to test the prediction, and W,L.Megginson's et.al. (2017) technique is used to determine the post-privatization performance changes (Pre and post-privatization). For reliability**, i** first calculate performance proxies for each firm over twenty years, ten (10) years before privatization, and ten (10) years after privatization. The legitimacy of a privatization entry is determined by creating a performance timeline that reflects operating results from the last ten years of ownership shift through the first year as a privatization entry.

The mean value of each variable for each firm is calculated over the pre-privatization and post-privatization periods (pre-privatization years -10 and post-privatization years +10). consequently year 0 (Zero) is removed from the mean calculation. The significance of changes in the values of the variables between pre and post-privatization is tested using the t-value and the Jarque-Bera test. For the ten (10) observed samples, The study utilizes the market ratios based on current year flow metrics such as leverage, operational profit, and net income, total asset, and equity as a determinant of the State-owned Enterprise's financial performance.

Quantitative method: A quantitative method is used to investigate the impact of privatization on state-owned firms. The quantitative method enables the author to collect data numerically, which is useful for population sample estimate. While using the quantitative method, descriptive statistics is utilized to generalize the research findings, particularly over the chosen study subject**.**

The decision to use quantitative method in the study is due to the following reasons.

1 Uncovers the problem of the research.

2. Easy and fast in the collection of numerical data and

3. Objective in data analysis.

Hypothesis For The Research : The following hypothesises are formulated:

H1:

H_o: There is no significance difference in the Pre and Post operating margin of the selected pivatized SOE‘s in Nigeria

Ha: There is significance difference in the Pre and Post operating margin of selected pivatized SOE‘s in Nigeria.

H2:

H_o: There is no significance difference in the Pre and Post Net Income of the selected pivatized SOE‘s in Nigeria.

Ha: There is significance difference in the Pre and Post Net Income of the selected pivatized SOE‘s in Nigeria.

H3:

H_o: There is no significance difference in the Pre and Post return on sales of the selected pivatized SOE‘s in Nigeria.

Ha: There is significance difference in the Pre and Post return on sales of the selected pivatized SOE‘s in Nigeria.

The aim of the research is to determine the impact of privatization process on state-owned firms' financial and operational performance. To do this, the study examines the academic components of privatization by assessing perception methods and a variety of empirical studies. This research aims to settle and contribute to the argument about how privatization of SOEs may affect the firm's operational efficiency and financial performance.

2.2 Organisation and instrument of the research

Table 2.2 The research study is categorized into:

The Organization of the study	Research Methodology	Instrument of the Research	Data analysis and interpretation

Source: Author creations.

The organization of the study: The research thesis includes an introduction, theoretical and methodological analysis, and the presentation of conclusions. The theoretical portion assesses prior and current empirical studies on the impact of privatization on state-owned firms, while the introduction provides an overview of the empirical issue, research challenges, and master thesis goals.

Review of literature: The research will examine related empirical studies on the consequences of privatization on state-owned enterprises. From 1984 through 2019, the author will explore past and present theoretical work on the impact of privatization on firm performance

Research methodology: The study will be carried out utilizing a quantitative approach. The method allows the researcher to acquire and analyze data from secondary data and other sources using numerical analysis

Descriptive method: The study uses descriptive statistics to analyze the pre and the post impact of privatizaton on State-owned enterprises.

Quantitative Method: The investigation will rely on secondary data. The published financial annual reports of selected privatized firms serve as secondary data sources. This study's uses quantitative method to evaluates and interprets the data.

Data analysis and interpretation: The e-view tool will be used to analyze the study's data. The program's goals are to evaluate the data obtained, interpret the findings, and report the results for the pre- and post-privatization periods

Instrument of the Research:The study will employ secondary data from yearly financial reports of privatized firms from 1985 to 1994 for the pre-privatization period and 2010 to 2019 for the post-privatization period.

2.3 Selection of respondents and sampling characteristics

Table 2.3 Sampling characteristics:

Selection of respondent	Sample size and technique	Limitation of the Research

Source: Authors creation

Selection of Respondent:. The primary focus of this research will be on a few selected SOEs that were privatized between 1985 and 1994 and 2010 and 2019. These ten companies were chosen at random from the banking and telecommunications industries, mostly due to the availability of financial report data for the study period

Sample and Sampling Technique: The sample size of the study shall be 10 (Ten) selected firms quoted on the floor of the Nigerian Stock Exchange.

Limitation of The Research: The difficulty in getting data for the privatized SOEs limits the study. Due to the country's data storage law and the failure of firms and government agencies to disclose information due to corrupt practices in the privatization biddings, as well as the nature of the research, information on the selected firms prior to and after privatization (1984 to 2010) is considered to be obsolete.

3. EMPIRICAL RESULT PRESENTATION & INTERPRETATION

This chapter detailed results presentation and interpretation on the influence of privatization on the performance of selected firms in Nigeria. The remaining aspect comprise the descriptive statistics and the Paired Samples Test employed to justify the consequence of privatization on the performance of selected businesses.

3.1 Result Presentation

This contains result presentation on the impact of privatization on performance of selected firms in Nigeria. It begins with the descriptive statistics which explains the estimation of common sample statistics such as the mean, median, standard deviation and Jargue-Bera for the specified variables before and after the privatization exercises. Table 4.1 below shows a summary of the statistics**.**

Table 4.1 Descriptive statistics of selected firms' performance before privatization

	Return on Sales	Return on Equity	Operating Margin	Net Income	Debt Ratio	Current Ratio
Mean	0.3269	0.6885	0.1247	0.6649	3.2205	2.0605
Median	0.3375	0.5374	0.1344	0.6682	2.3671	1.7571
Maxi	0.3787	1.2832	0.1591	0.8383	7.1956	4.1074
Min	0.2697	0.2888	0.0833	0.4515	1.1390	1.2464
Std.Dv.	0.0335	0.3942	0.0250	0.1079	2.1389	0.8199
Skews	-0.5279	0.4040	-0.6694	-0.3332	0.7536	1.6648
Kurtoss	2.4460	1.4651	2.2315	2.8805	2.0915	4.9866
Jarqu-Bera	0.5923	1.2536	0.9928	0.1910	1.2904	6.2642
Probabi	0.7436	0.5342	0.6086	0.9089	0.5245	0.0436
Sum	3.2697	6.8853	1.2475	6.6498	32.2054	20.6059
Sum Sq. Dev.	0.0101	1.3989	0.0056	0.1049	41.1755	6.0501
Observ	10	10	10	10	10	10

Source: Author's Computation Using E-views 10

Table 4.1 revealed the basic performance measurement for the selected firms between 1985 and 1994 with the average return on sales of 32.69% with a minimum return of 26.97% and a maximum of 37.87%. The average operating margin was 12.47% with a minimum of 8.33% and a maximum 15.91%. Similarly, the average net income efficiency was 66.49% with a minimum of 45.15% and a maximum of 83.83%%. The average debt ratio for the firm was 322% with a minimum of 113.9% and a maximum of 719.5%. Also, the average current ratio for the firm was 2.06:1 with a minimum of 1.24:1 and a maximum of 4.11:1.

Table 4.2 Descriptive statistics of selected firms' performance after privatization

	Return on Sales	Return on Equity	Operating Margin	Net Income	Debt Ratio	Current Ratio
Mean	1.8310	3.8240	0.9703	3.8790	16.1025	6.7089
Median	1.8902	3.1481	1.0454	3.8983	11.8356	5.7209
Maxim	2.1207	8.1662	1.2376	4.8904	35.978	13.3730
Minim	1.5103	-2.7876	0.6482	2.6338	5.6952	4.0581
Std.De.	0.1879	3.3731	0.1946	0.6297	10.694	2.6694
Skewne	-0.5279	-0.4178	-0.6694	-0.3332	0.7536	1.6648
Kurtois	2.4460	2.4872	2.2315	2.8805	2.0915	4.9866
Jarque-	0.5923	0.4005	0.9928	0.1910	1.2904	6.2642
Probabi	0.7436	0.8184	0.6086	0.9089	0.5245	0.0636
Sum	18.310	38.240	9.7031	38.790	161.02	67.089
Sum Sq. Dv.	0.3180	102.40	0.3410	3.5697	1029.3	64.133
Observ	10	10	10	10	10	10

Source: Author's Computation Using E-views 10

Table 4.2 revealed the basic performance measurement for the selected SOE's devestiture firm's after the privatization in Nigeria between 2010 and 2019 shows an average return on sales of 183%, a minimum return of 1.51% and a maximum of 212%. The average operating margin was 97% with a minimum of 64.82% and a maximum 123%. Similarly, the average net income efficiency was 387% with a minimum of

263% and a maximum of 489%. While the average debt ratio for the firms was 16.10% with a minimum of 5.69% and a maximum of 35.97%. Also, the average current ratio for the firms was 6.70:1 with a minimum of 4.05:1 and a maximum of 13.37:1. When compared to previous years 1985- 1994 before privatization in Table 4.1 the results demonstrate significant differences between the measured metrics for the study's indicated years in ROS, ROE, and ROA respectively. The changes in the metrics indicate improvement from prior period shown in Table 4.1 by 84.53% in operating margin, return to sales increased by 150.31% and 320.51% increase in net efficiency. The changes indicate profitability increase as a set objective for devestiture SOE's firms due to ownership and the focus of employee on increasing the revenue and lowering cost. Finally, The Jarque-Bera statistics revealed that all of the obtained data sets used for performance measurement were normally distributed and thus suitable for further analysis, while the p value of all estimates and results, which represents the probability of observing a sample value as extreme as the value observed, given that the null hypothesis is true, served as a guide for accepting/rejecting the null hypothesis at various stages of the analysis by comparing it to the significance level.

To have a clear picture of the trend in each performance measurement before and after the privatization exercise, this study employed the cluster chart to support the result in tables above. The charts are presented below:

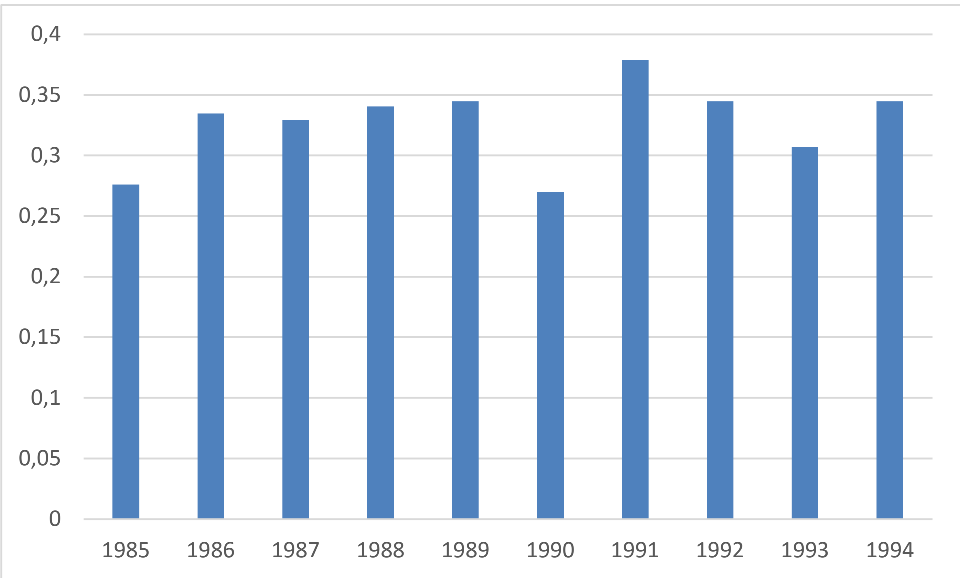


Figure 4.1: Trend in Return on Sales between 1985 and 1994

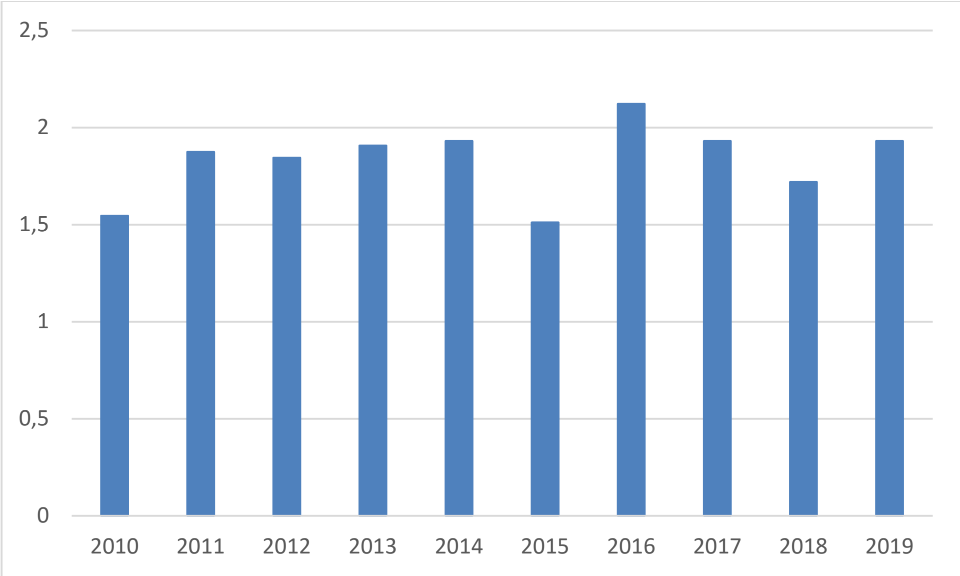


Figure 4.2: Trend in Return on Sales between 2010 and 2019

From figure 4.1 and 4.2, it is apparent that the highest return on sale 37% while there was relative stability 27% and 37% within the period 1985- 1994. This implies that the return on sale is low within this period. However, it is apparent that there is a stable increase in the level of return on sales made by the selected firms following the privatization between 2010 and 2019 without any significant drop in the firm sales and productivity.

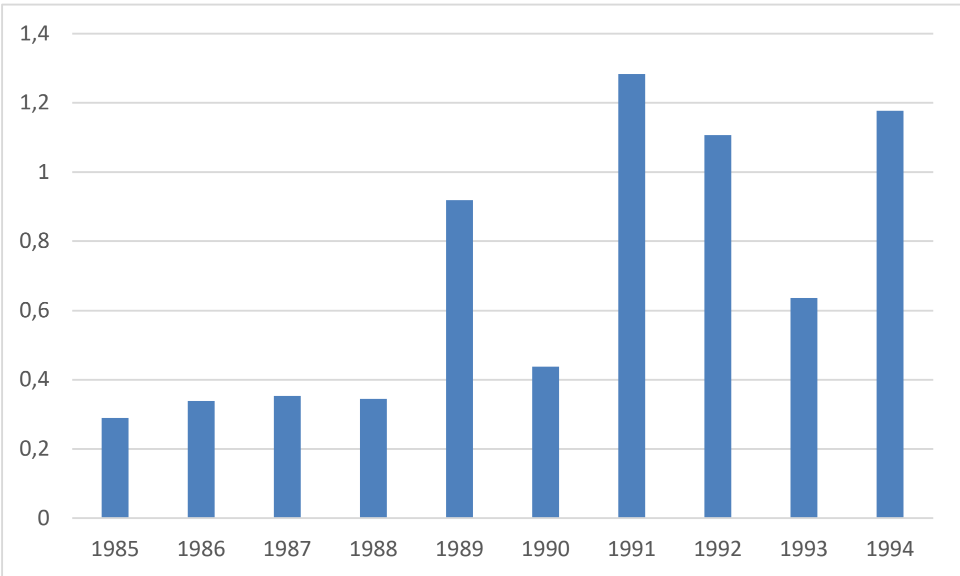


Figure 4.3: Trend in Return on Equity between 2010 and 2019

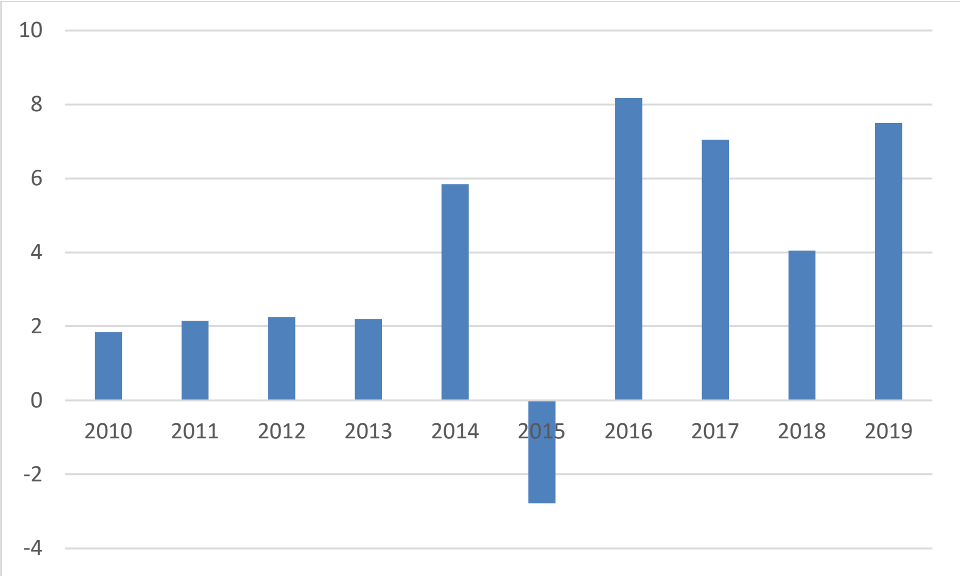


Figure 4.4: Trend in Return on Equity between 2010 and 2019

From figure 4.3 and 4.4, it is apparent that there is a stable increase in the level of return on equity made by the selected firms between 1985 and 1994 with a consistent increase ranging between 30% and 120%. However, there are mixed improvement as the return on equity was stable around in the level of return on equity following the privatization between 2010 and 2019 with a significant drop in 2015.

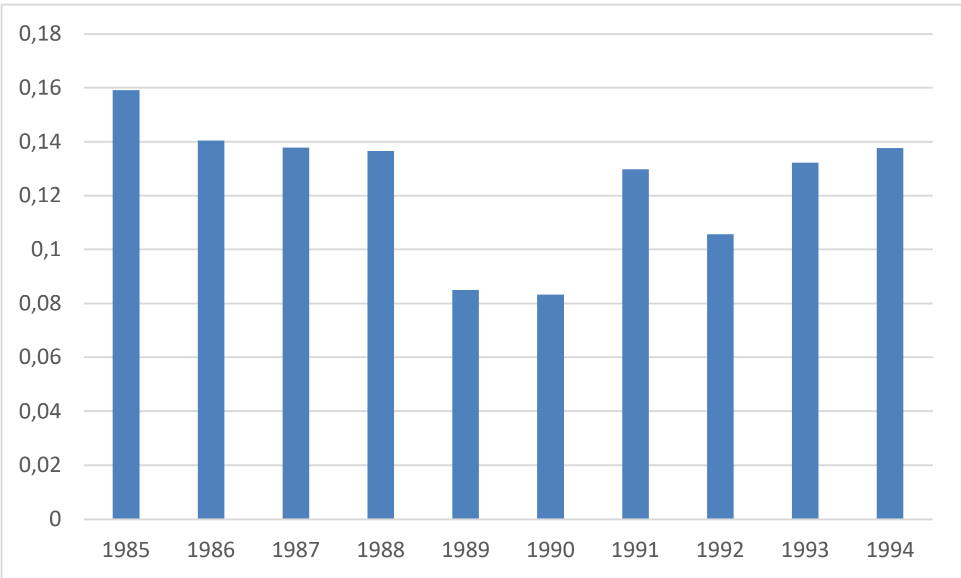


Figure 4.5: Trend in Operating Margin between 1985 and 1994

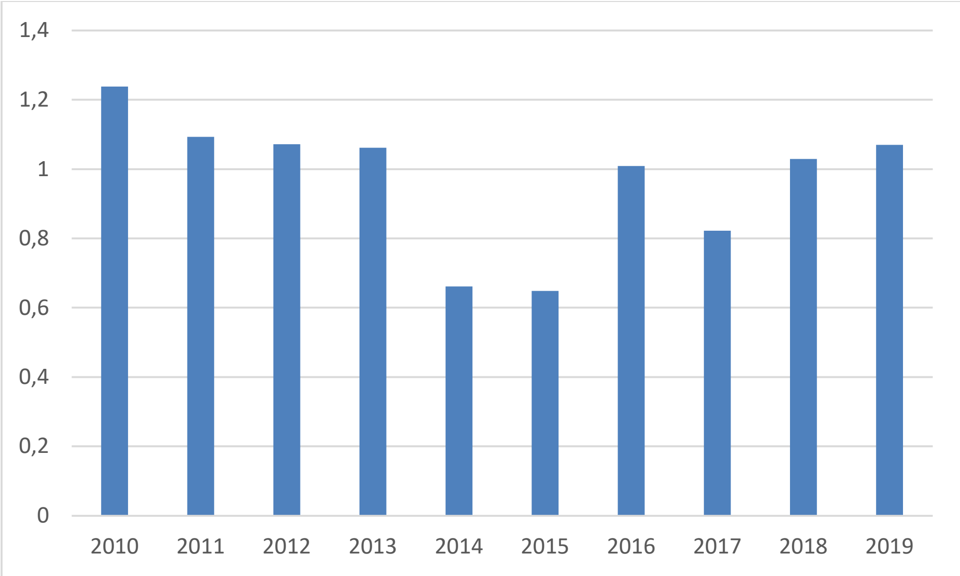


Figure 4.6: Trend in Operating Margin between 2010 and 2019

From figure 4.5 and 4.6, it is evident that there is instability in the level of operating margin between 1985 and 1994, but there is significant improvement in the period between 2010 and 2019 which is after the privatization.

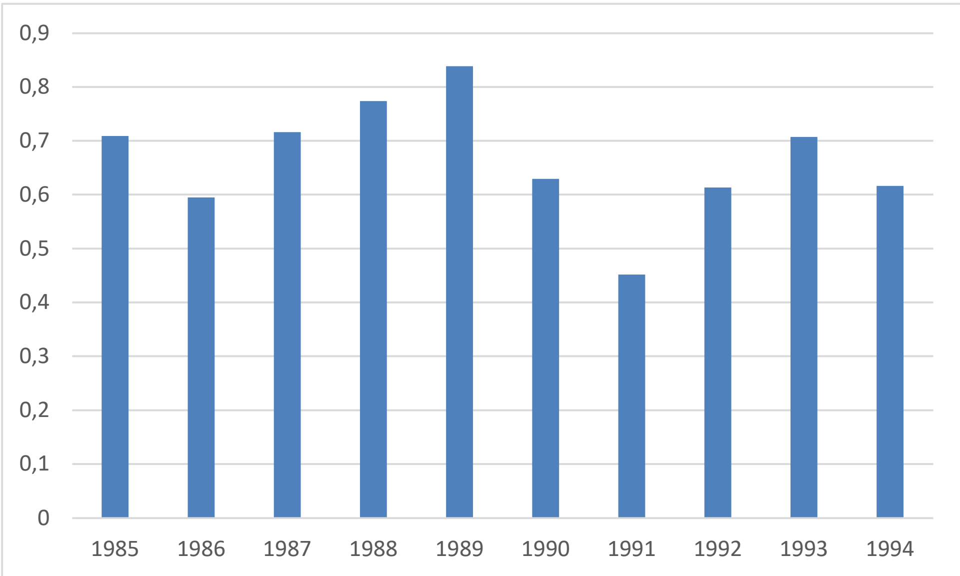


Figure 4.7: Trend in Net Income Efficiency between 1985 and 1994

From figure 4.7, there is gradual increase in the level of net income efficiency in the selected firms between 1985 and 1994 with a significant drop in 1990 and 1991 but the performance picked up in 1992.

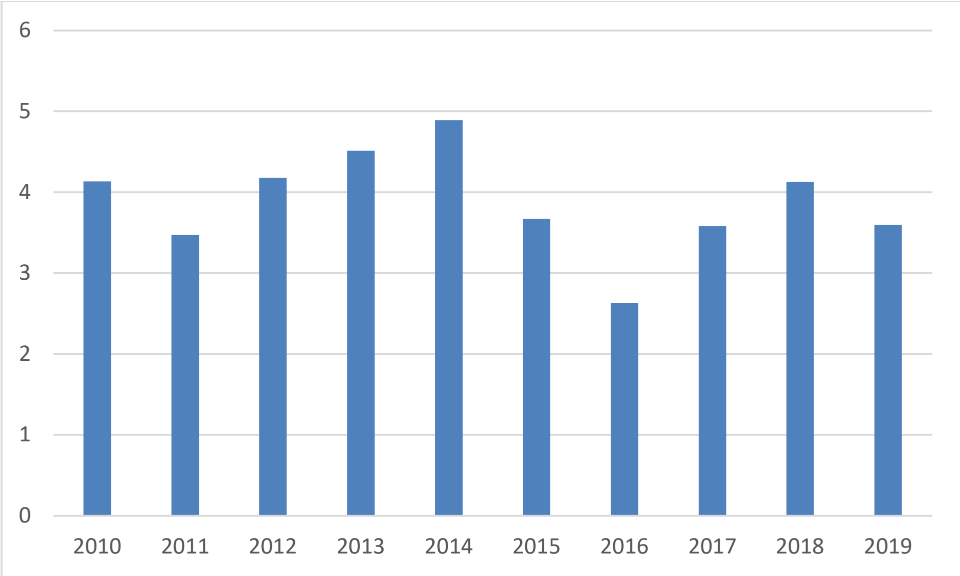


Figure 4.8: Trend in Net Income Efficiency between 2010 and 2019

From figure 4.8, it is obvious that there is a mild increase in the level of Net Income Efficiency made in the industry followed the privatization between 2010 and 2019 with the major and significant drop witnessed in the firm observed in year 2016.

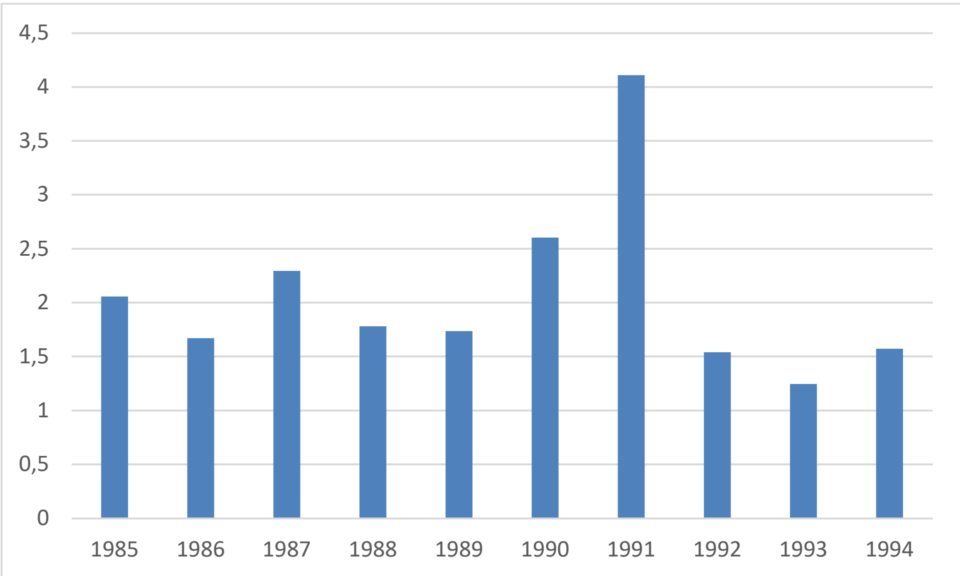


Figure 4.9: Trend in Current Ratio between 1985 and 1994

From figure 4.9, it showed that there is instability in the level of current ratio employed by the selected firms 1985 and 1994 with a significant increase observed in 1992 followed by a sharp declined afterward.

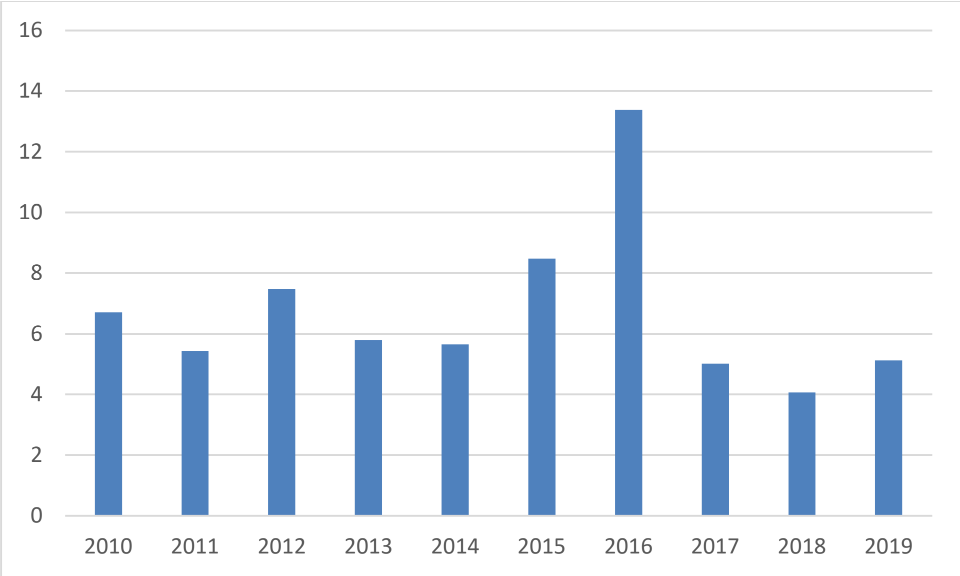


Figure 4.10: Trend in Current Ratio between 2010 and 2019

From figure 4.10, it is apparent that there is a mild instability in the level of Current Ratio maintained in the industry followed the privatization between 2010 and 2019. The figure indicates that the selected firm does not maintain a standard current ratio due to liquidity and stability.

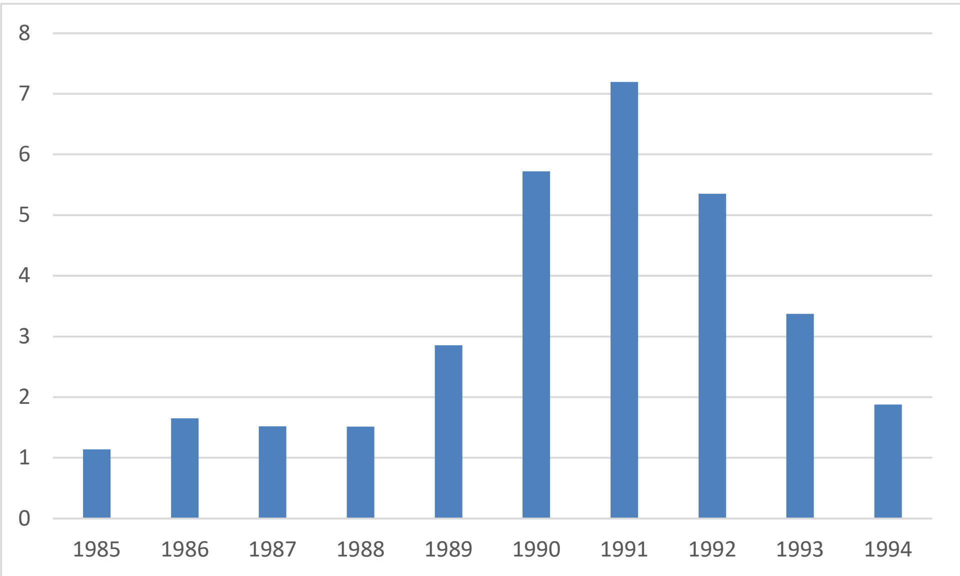


Figure 4.11 Trend in Debt-Equity between 1985 and 1994

From figure 4.11, it is palpable that there is a moderate level of debt-equity ratio in the selected firms between 1985 and 1988 but a sharp rise is observed between 1989 and 1992 before declining in 1993 and 1994.

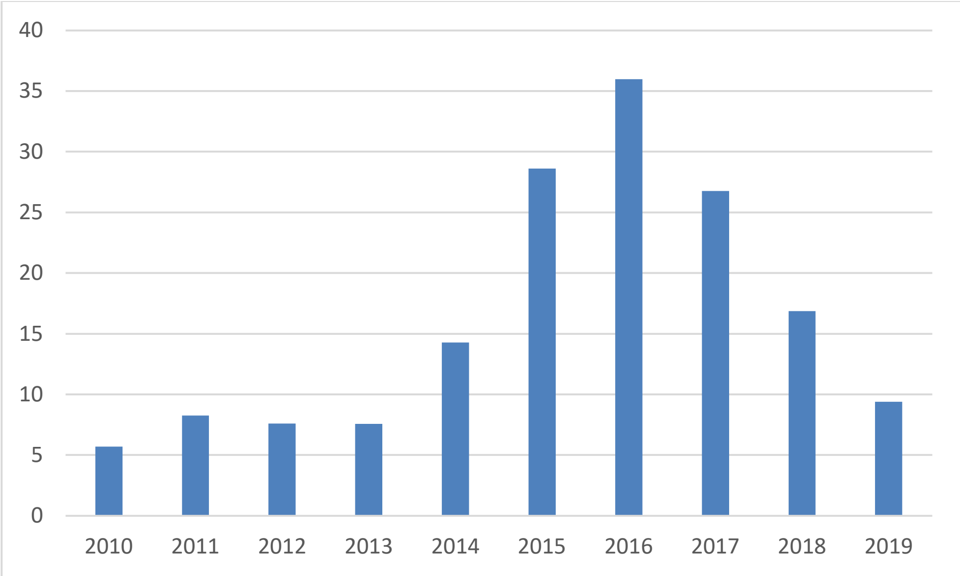


Figure 4.12 Trend in Debt-Equity between 2010 and 2019

From figure 4.12, it is ostensive that there is a mild instability in the level of Debt-Equity Ratio maintained by the selected firms between 2010 and 2019. The figure indicates that the firms employed more debt finance between 2015 and 2017.

This aspect detailed the result of the paired samples test used to establish the extent of the differences in the selected firm specified performance criteria before and after privatization for this study. The obtained results are presented as follows:

Table 4.3: Operating Margin Paired Samples Result

	Paired Differences					t	df		Sig. (2-tailed)
	Mean	Std. Deviation	Std. Error Mean	95% Confidence Interval of the Difference: Lower	Upper				
Pair 1 Pre-Private - Post-Private		.11367	.02281	.00721	.09735	.12999	15.76	9	.000

Source: Author's Computation (2022) Using E-views 10

From table 4.3 above, the Paired Samples Result for the observed Operating Margin before and after privatization revealed a mean value (0.1137), standard deviation (0.02281) and t-statistics (15.76) which is significant at 5% level of significance. This implies that there is a positive significance difference in the performance of the firm using the operating margin performance criterion.

Table 4.4: Net Income Paired Samples Result

		Paired Differences					t	df	Sig. (2-tailed)
		Mean	Std. Deviation	Std. Error Mean	95% Confidence Interval of the Difference				
					Lower	Upper			
Pair 1	PRE-PRIVATE - POST-PRIVATE	.42116	.06836	.02162	.37226	.47007	19.481	9	.000

Source: Author's Computation (2022) using E-views 10

From table 4.4 above, the Paired Samples Result for the observed Net Income before and after privatization revealed a mean value (0.421), standard deviation (0.068) and t-statistics (19.48) which is significant at 5% level of significance. This implies that there is a significance difference in the performance of the firm using the net income performance criterion.

Table 4.5: Return on Sales Paired Samples Result

		Paired Differences					t	df	Sig. (2-tailed)
		Mean	Std. Deviation	Std. Error Mean	95% Confidence Interval of the Difference				
					Lower	Upper			
Pair 1	PRE-PRIVATE - POST-PRIVATE	.19620	.02015	.00637	.18179	.21061	30.797	9	.000

Source: Author's Computation Using E-views 10

From table 4.5 above, the Paired Samples Result for the observed Return on Sales before and after privatization revealed a mean value (0.196), standard deviation (0.020) and t-statistics (30.79) which is significant at 5% level of significance. This implies that there is a positive significance difference in the performance of the firm using the Return on Sales performance criterion.

Table 4.6: Paired Samples Test Current Asset

		Paired Differences					t	df	Sig. (2-tailed)
		Mean	Std. Deviation	Std. Error Mean	95% Confidence Interval of the Difference				
					Lower	Upper			
Pair 1	PRE-PRIVATE - POST-PRIVATE	.19620	.02015	.00637	.18179	.21061	30.797	9	.000

Source: Author's Computation (2022) Using E-views 10

From table 4.6 above, the Paired Samples Result for the observed current asset before and after privatization revealed a mean value (0.196), standard deviation (0.020) and t-statistics (30.79) which is significant at 5% level of significance. This implies that there is a positive significance difference in the performance of the selected firms using the current asset performance criterion.

3.2 Result analysis

Based on the preceding result presentations, it is important to make inferences upon which hypotheses can be tested to aid conclusion for the formulated hypotheses. Thus, the results derived for the various hypotheses are presented below:

Operating margin changes:

From the table 4.3, the result of the t-statistics (15.76) with a p-value of 0.000 inferred that there is a significance difference in the Pre and Post operating margin of the selected devestiture SOE's firms in Nigeria. When firm's engage in competition, it clearly shows effective human and financial resources for the benefit of the private shareholders. It show access to financing and scope of managerial initatives in the business due to investor‘s pressure. This implies that the null hypothesis is rejected at 5% level of significance because there is increased difference in the Pre and Post privatization operating margin of the selected devestiture SOE‘s firms in Nigeria.

Net income changes:

From the table 4.4, the result of the t-statistics (19.48) with a p-value of 0.000 inferred that there is a significance difference in the Pre and Post Net Income of the selected devestiture SOE‘s firms in Nigeria following changes in metrics by 320.51% increase in net efficiency compared to prior period. This result show increased improvement in profitability after privatization indicating that ownership change and employee‘s have set target at increasing the revenue and lowering cost in the long-run. The null hypothesis is rejected at 5% level of significance because there is a significance difference in the Pre and Post privatization Net Income of selected devestiture SOE‘s firms in Nigeria.

The return on sales changes:

From the table 4.6, the result of the t-statistics (30.79) with a p-value of 0.000 inferred that there is a significance difference in the Pre and Post return on sales of the selected devestiture SOE‘s firms in Nigeria with an increase difference of 150.31% compared to prior period indicating increased in profitability for the selected firms in future when the firm‘s engage in competition. it clearly shows strong human and financial resources for private shareholders to benefit from the improvement. This implies that the null hypothesis is rejected at 5% level of significance because there is a significance difference in the Pre and Post privatization return on sales of the selected firms in Nigeria.

3.3 Discussions

This study examines the impact of privatization of SOE‘s performance in Nigeria using the selected firms for the period before (1985 – 1994) and after (2010 -2019) privatization. The results of the various analysis showed that specified performance measured such as operating margin, net income and return on sales showed a significant difference when the pre-privatization period is compared with the post-privatization period. The result analysis produced a clearer picture that privatization produced a financial performances that outweigh the years before the privatization programme, that profitability improved greatly. The result further showed the essence of a purpose driven and goal-oriented privatization that would improve the operational and financial performance of the privatized firms in a long run. Also evidence show that privatization impact of SOE‘s lack consensus results and leaves the debate open. That is why this study is motivated by some key factors as to whether, how, and what conditions does privatization enhance firm performance.This conflicting evidence on the topic has limit research development, and also the use of one type of measure over the other limits this study. The account for the confounding variables and reached broad conclusions concerning privatization must be interpreted in the perspective of the limitations inherent in the technique for the study

3.4 Conclusion and Recommendation

The evidences from various reviewed literature on privatization impact of SOEs and the findings of the study suggest‘s the following conclusion, and recommendations:

1. That the study‘s specified performance measured such as operating margin, net income and return on sales showed a significant difference when the pre privatization period is compared with the post privatization period. The overall results and subsequent analysis produced a clear result as privatization produced financial performances that outweigh the years before the privatization programme. The result shows an increase in level of the ROS, ROE, and ROA. The result show long run improvement in profitability.

2. That privatization program have significantly reduced the activities of SOEs in the economic system of most of the studied countries. The result shows an increase in the profitability in the long run after devestiture of SOE ‘s due to competition.

3. Government uses techniques to privatized SOEs in most countries investigated such as Asset sales, Voucher and mass privatization. These techniques are adopted in certain situation by most governments because privatization is quite a difficult process consisting of political and economic factors. The voucher privatization is the least used method but most governments in central and Eastern Europe that adopts the technique believe they have less realistic options.

4. Evidence from various empirical studies supports the position that privately owned firms are more efficient and profitable than state-owned firms. However little evidence from transition economies such as China suggests that non-privatizing reforms such as deregulation, market libralization and increased use of incentives can improve the efficiency of SOEs but would rather be efficient if the measures is combined with privatization.

5. The study's findings show that privatization increased the financial performance of divested SOEs due to some attributes as economic factors which involve proper timing of privatized firm sales, industrial classification, ownership after privatization, as well- as an organized capital market, effective governance, and regulatory infrastructure system.

6. Based on the finding's government should be more proactive with an appropriate privatization process that are critical in determining the firm's performance. If other avenues of obtaining considerable financial capital are made available to prospective firms other than the public markets, the value of privatizations is likely to be diminished.

7. The government should improve on the techniques and method of privatization process. They should device a new approach and also eliminate the bottleneck caused by political appointee‘s in the privatization biddings to allow for investor‘s confidence.

8. The system should be more robust to accomodate both private and public sector paticipation in the privatization program and also a well equiped capital market will give better access to information on planned government privatization and processes.

9. The need for further research required.

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Summary in Lithuanian

SANTRAUKA LIETUVA

Privatizavimo poveikis VVĮ buvo diskusijų objektas tarp mokslininkų ir viešosios politikos formuotojų. Empiriniai įrodymai parodė, kad privatizuotos įmonės yra efektyvesnės ir pelningesnės nei valstybės įmonės, tokios kaip Megginson ir kt. (2005), Boubakri et.al (2013), Ochieng (2014) ir Ahmed (2014). Nors kai kurie įrodymai rodo tam tikra kryptimi, kad neprivatizuojančios reformos, tokios kaip reguliavimo panaikinimas, liberalizavimas ir paskatos, taip pat gerina VVĮ efektyvumą, tačiau būtų daug geriau, jei privatizavimas būtų vykdomas efektyviai (Adoga, 2015). Iš šio tyrimo matyti, kad prieš (10) pasirinktų įmonių privatizavimą ir po jo, vertinant grynųjų pajamų, veiklos maržos ir pardavimų grąžos rodiklius, naudojant aprašomąją statistiką ir antrinį rodiklį, rodomas reikšmingas skirtumas tarp abiejų laikotarpių po pardavimo. duomenys iš (10) atrinktų privatizuotų įmonių (1984-1995) ir (2010-2019) iki ir po privatizavimo laikotarpio finansinio išrašo. Rezultatas rodo ROS, ROE ir ROA pokyčius. Tai rodo pagerėjusį įmonių pelningumo padidėjimą

Be to, tyrimas rodo, kad privati nuosavybė yra susijusi su geresniais rezultatais nei valstybės valdomos įmonės (VVĮ). Realybėje daugiausia dėmesio skiriama privačiai nuosavybei, kuri yra labiau susijusi su geresniais rezultatais nei VVĮ. Vyriausybės sprendimas privatizuoti priklauso nuo metodo, kuris ne visada yra paprastas. Vyriausybė dažniausiai naudoja tris VVĮ privatizavimo būdus: siūlymą parduoti (IPO), turto pardavimą ir čekį. Sprendimas priklauso nuo politinių ir ekonominių veiksnių, lemiančių, kokią strategiją ir procesą vyriausybė priimtų ir įgyvendintų, nes privatizavimas yra sudėtingas procesas, apimantis įvairius elementus. Kuponinis privatizavimas yra mažiausiai ekonomiškai naudinga pardavimo strategija. Ja pasinaudojusios vyriausybės, tokios kaip Kinija ir Rusija, manė, kad turi mažiau perspektyvių galimybių. Labiausiai priimtinas variantas yra akcijų pardavimo ir turto pardavimo viešai pasiūlymas.

Privatizuotų įmonių veiklos rezultatyvumo padidėjimą galėjo lemti kiti ekonominiai ir politiniai veiksniai, tokie kaip stabili ekonominė sistema, patikima kapitalo rinka, griežti reguliavimo įstatymai. gera verslo aplinka, įmonių sistemos reformos, nebaigtas nuosavybės pasikeitimas, konkurencija, naujų vadovų iniciatyvos ir naujų akcininkų grėsmė organizacijos tikslams. Tačiau apskritai nepaisant nevienodų įvairių tyrimų

rezultatų, tyrimas rodo, kad atrinktų (10) privatizuotų įmonių veiklos rezultatai pagerėjo, palyginti su ankstesniais metais (1984–1995).

Summary in English

The impact of privatization on SOE's has been a subject matter of debate among scholars and public policy maker. Empirical evidence has shown that privatized firms are more efficient and profitable than SOEs such as Megginson, et.al. (2005), Boubakri et.al (2013) Ochieng (2014) and Ahmed (2014). Even though some evidence points in some direction that non-privatizing reforms like deregulation, liberalization, and incentives also improve the efficiency of SOEs but would be quite better if privatization is efficiently performed (Adoga, 2015). The fact remains from this study that the pre, and post privatization of the (10) selected firm's show a significant difference between both periods after divestiture when measuring the performance indicator of Net-income, operating margin and return to sales using descriptive statistics and secondary data from financial extract of the (10) selected privatized firms for the period of (1984-1995) and (2010-2019) for pre and post privatization. The result show changes in the ROS, ROE, and ROA. Indicating an improved increase in profitability for the firms. Although this based on the extract of the published financial results released by the selected firms and short time of the study.

Furthermore, the study show that private ownership is related to better performance than state-owned enterprises (SOEs), The reality focus on private ownership which is more related to better performance than SOE's. The decision of government to privatize depend on the method, which is not always straightforward. Government mostly uses three methods to privatize SOEs: offer for sales (IPO), asset sales, and voucher. The decision depends on the political and economic factors that determines which strategy and process the government would adopt and implement because privatization is a complicated process involving a variety of elements. The Voucher privatization is the least economically beneficial divestiture strategy. Government such as China and Russia that used it believed they had less viable options. The most accepted option is the offer for sales of shares and assets sales to the public.

The performance increase in the privatized enterprises could be attributed to other economic and political factors such as a stable economic system, sound capital market, tight regulatory laws. good business environment, corporate framework reforms, not complete ownership change, competition, new manager initiatives and threat from new shareholders over organization goals. But in the overall despite mixed results from various studies, the study shows increase improvement in the performance of the selected (10) privatized firms compared to prior years of (1984-1995).

ANNEXES

Annex 1

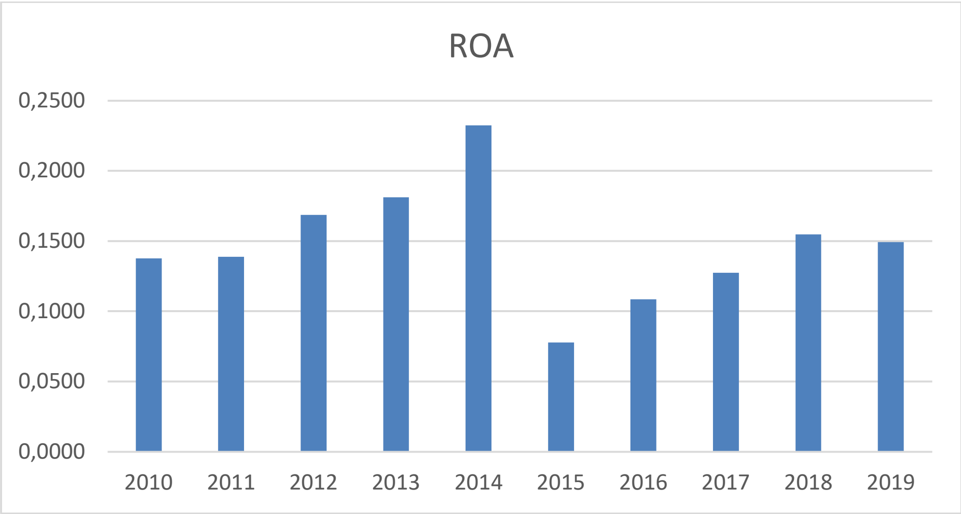
BEFORE PRIVATIZATION

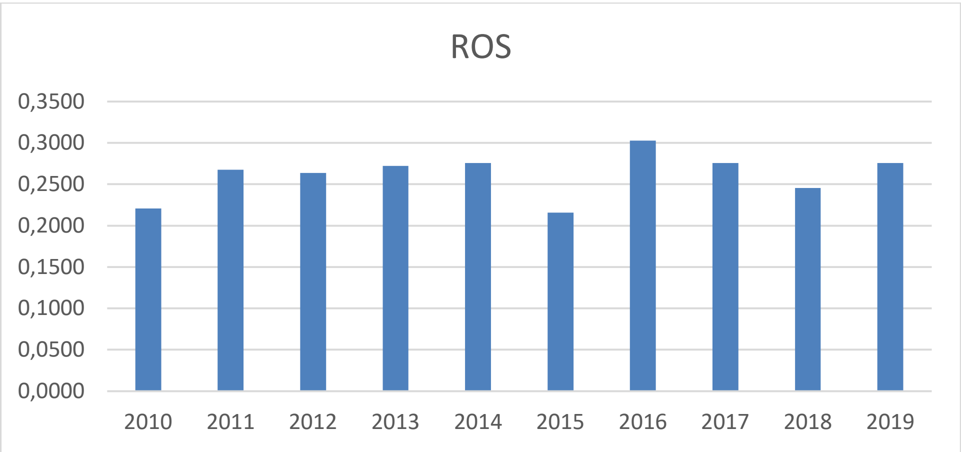
	RETURN ON SALES	OPERATIIN G MARGIN	NET INCOME EFFICIENCY	DEBT-RATIO	CURRENT RATIO
Mean	0.065396	0.024951	0.132996	0.644101	0.412119
Median	0.067508	0.026883	0.133656	0.473424	0.351432
Maximum	0.075742	0.031824	0.167672	1.439135	0.821486
Minimum	0.053942	0.016668	0.090304	0.227808	0.249285
Std. Dev.	0.006714	0.005006	0.021593	0.427788	0.163980
Skewness	-0.527930	-0.669400	-0.333244	0.753600	1.664885
Kurtosis	2.446093	2.231515	2.880536	2.091520	4.986655
Jarque-Bera	0.592355	0.992898	0.191033	1.290411	6.264236
Probability	0.743655	0.608688	0.908903	0.524555	0.043625
Sum	0.653958	0.249510	1.329960	6.441008	4.121192
Sum Sq. Dev.	0.000406	0.000226	0.004196	1.647021	0.242006
Observations	10	10	10	10	10

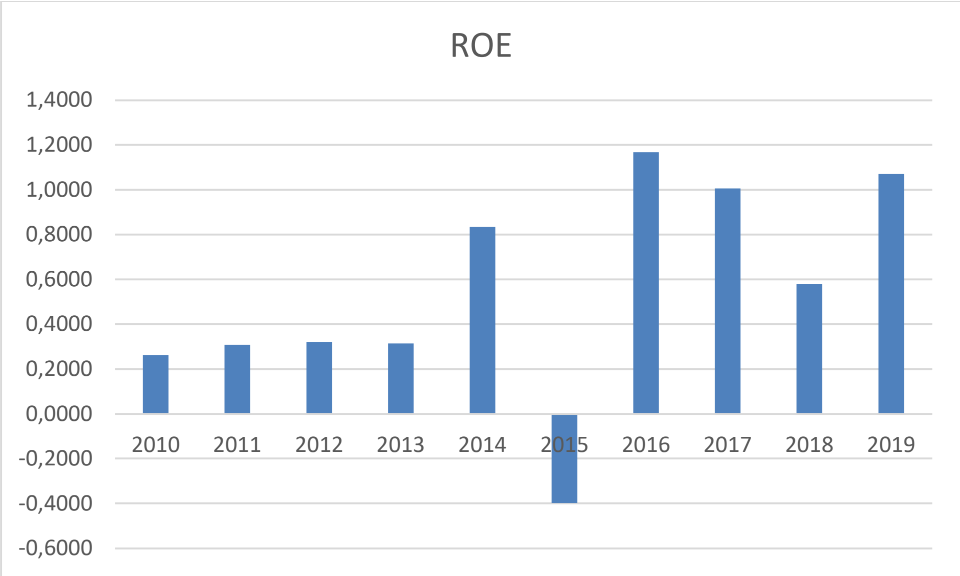
AFTER PRIVATIZATION

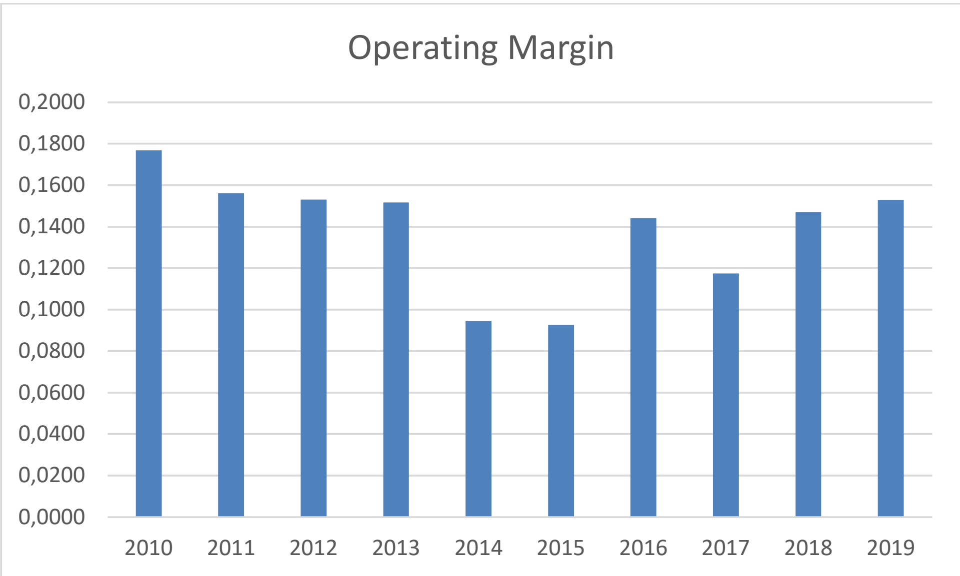
	RETURN ON SALES	OPERATIO N MARGIN	NET INCOME EFFICIENC	DEBT RATIO	CURRENT RATIO
Mean	0.261580	0.138620	0.554160	2.300350	0.958410
Median	0.270000	0.149350	0.556900	1.690800	0.817300
Maximum	0.303000	0.176800	0.698600	5.139800	1.910400
Minimum	0.215800	0.092600	0.376300	0.813600	0.579700
Std. Dev.	0.026854	0.027815	0.089958	1.527821	0.381345
Skewness	-0.525514	-0.669266	-0.333379	0.753616	1.664770
Kurtosis	2.446140	2.230954	2.880333	2.091559	4.986362
Jarque-Bera	0.588091	0.992959	0.191203	1.290422	6.263114
Probability	0.745243	0.608670	0.908826	0.524552	0.043650

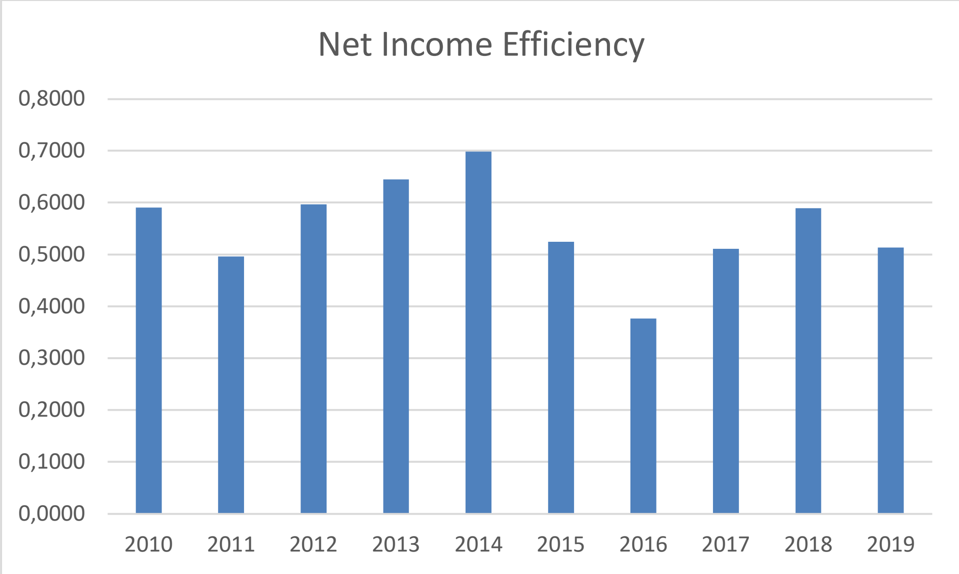
Sum	2.615800	1.386200	5.541600	23.00350	9.584100
Sum Sq. Dev.	0.006490	0.006963	0.072832	21.00814	1.308819
Observations	10	10	10	10	10

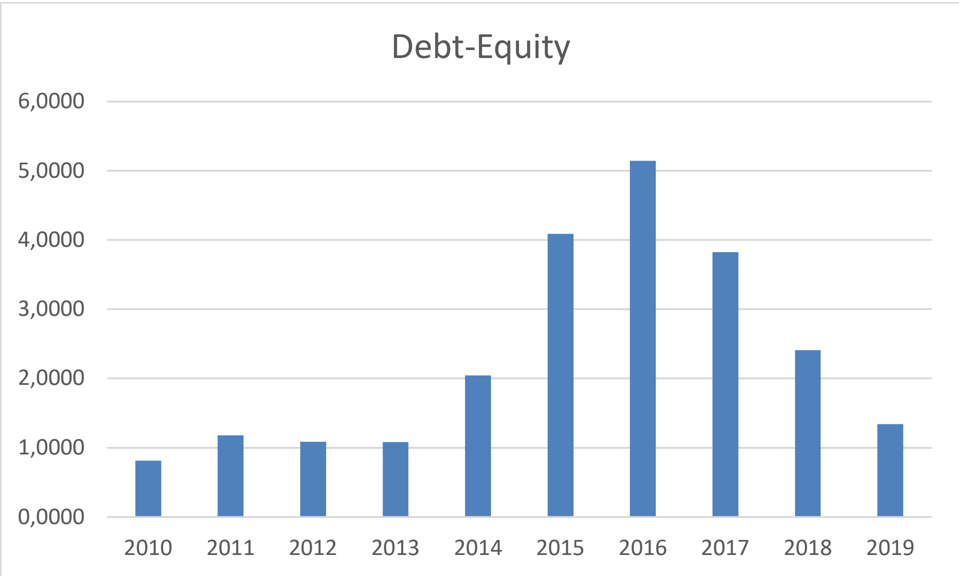


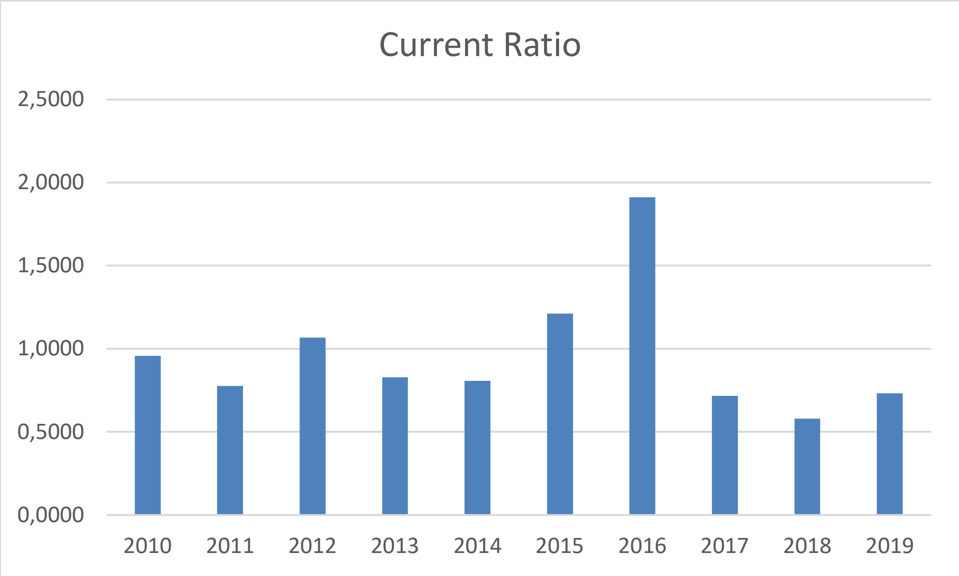



ROE
1,4000
1,2000
1,0000
0,8000
0,6000
0,4000
0,2000
0,0000
-0,2000
-0,4000
-0,6000
2010
2011
2012
2013
2014
2015
2016
2017
2018
2019


Operating Margin
0,2000
0,1800
0,1600
0,1400
0,1200
0,1000
0,0800
0,0600
0,0400
0,0200
0,0000
2010
2011
2012
2013
2014
2015
2016
2017
2018
2019


Net Income Efficiency
0,8000
0,7000
0,6000
0,5000
0,4000
0,3000
0,2000
0,1000
0,0000
2010
2011
2012
2013
2014
2015
2016
2017
2018
2019


Debt-Equity
6,0000
5,0000
4,0000
3,0000
2,0000
1,0000
0,0000
2010
2011
2012
2013
2014
2015
2016
2017
2018
2019



Paired Samples Test Operating Margin

	Paired Differences					t	df	Sig. (2-tailed)
	Mean	Std. Deviation	Std. Error Mean	95% Confidence Interval of the Difference				
				Lower	Upper			
Pair 1 PRE-PRIVATE - POST-PRIVATE	.11367	.02281	.00721	.09735	.12999	15.760	9	.000

Paired Samples Test Net Income

	Paired Differences					t	df	Sig. (2-tailed)
	Mean	Std. Deviation	Std. Error Mean	95% Confidence Interval of the Difference				
				Lower	Upper			
Pair 1 PRE-PRIVATE - POST-PRIVATE	.42116	.06836	.02162	.37226	.47007	19.481	9	.000

Paired Samples Test Return on Sales

		Paired Differences					t	df	Sig. (2-tailed)
		Mean	Std. Deviation	Std. Error Mean	95% Confidence Interval of the Difference				
					Lower	Upper			
Pair 1	PRE-PRIVATE - POST-PRIVATE	.19620	.02015	.00637	.18179	.21061	30.797	9	.000

Paired Samples Test Current Asset

		Paired Differences					t	df	Sig. (2-tailed)
		Mean	Std. Deviation	Std. Error Mean	95% Confidence Interval of the Difference				
					Lower	Upper			
Pair 1	PRE-PRIVATE - POST-PRIVATE	.19620	.02015	.00637	.18179	.21061	30.797	9	.000

Annex 2:

Summary analysis of research findings single, multiple and transitions economies.

Author,publication and year	**Period and sample description**	**Methodology**	**Empirical conclusion**
Williams L.Megginson and Juliet D Souza (2000) the financial and operating performance of privatization firm during the 1990s.) multi- country	Determine whether share issue privatization executed during the 1990-1996 yield the same operating improvements documented for divestiture during the 1980s.	They use Quantitative method Wilcoxon sign to test the difference in variable value between.	The result show considerable gains in output, operating efficiency, and dividend distribution, while profit grows but leverage drops, It also demonstrates that there is no discernible pattern in performance changes as a function of ownership structure.
Stijn Classen & Simon Djankov (2000) privatization and benefits in Eastern Europe. Multi- country	Examine changes in the performance of over 6000 privatized firms from 1992-1995 for 6 countries.	They use Quantitative method pool panel regression to test the variances in post-privatization	The result show considerable increases in sales income, labor productivity, and few job losses, according to the data.
Brown J David, Erasles S.John and Teledy Amos (2005) The productivity effect of privatization longitudinal estimates. Cross country.	Examine the privatization impact on firm‘s performance from 1985-2002 in Russia, Hungry, Ukraine, and Romania for 35 firms.	They use the Quantitative method pool panel regression to test the difference in variables	The result show In Hungary, Romania, and Ukraine, privatization to a foreign firm rather than a native corporation appears within a year and expands faster than in Russia after five years.
Saul Estrin, J.Hanousek, E.Koenda & J.Svejnar (2007) The effect of privatization and ownership in transition economies.	Compares the privatization effect on economic performance at both national and enterprise-level from 1990-2006 in 12 countries for over 200 firms.	Quantitative method using ordinary least square regression to measure the variance in the dependent and independent variables.	The data demonstrate a beneficial effect in central Europe, although it is smaller in magnitude than the effect on foreign owners, and also stronger during the transition phase.
Zuobao Wei, Oscar Varela, Juliet D Souza and M.Kabir.Hassan (2003) the financial and operating performance	Examine the pre and post-privatization financial and operating performance of firms	They use descriptive statistics with Wilcoxon sign ranking mean and	The findings show that the actual output, assets, sales efficiency, and leverage all improved significantly. However, there were no

of newly privatized firms. (Single country)	from 1990-1997 in china for 2008.	median to test the difference	significant changes in profitability, when compared to SOEs, after privatization
Afeikhena Jerome (2008) privatization and enterprise performance. Case study of some privatized firms. Single country	Compare the technical efficiency of the enterprise before and after privatization in Nigeria from 1988-1993 for 35 firms	They use descriptive statistics using Wilcoxon sign ranking to value to estimate the difference.	The study demonstrates that privatization is linked to increasing technical efficiency and that public firms are inefficient
Yahya. Z.A, Hussainatu A & Yelwa Mohammed (2012) privatization and the firm performance: An empirical study of selected privatized firms.	Examine the financial and operating efficiency of privatized firms from 2000 - 2010 in Nigeria for 10 firms	They used descriptive statistics using multiple regression	The paper indicates mixed results, with the majority of firms in the sample size seeing an increase in profitability, despite the fact that certain firms saw a decrease in profitability after privatization
Charles Authur Ntiri (2010) can performance of the state-owned enetrprise improved when privatized	Examines the impact of privatization of state-owned enterprises performance bf and after privatization in Ghana (35)firms. (1990-2006)	Quantitative method, regression technique,Wilcoxon sign ranking mean,median & SD.	The result show no signicant improvement in performance indicators for 5 years bf and after privatization.
Isaiah Onyango (2014) the effect of privatization on the financial performance of listed companies at the Nairobi Securities Exchange.	Examines the determinant effect of privatization on financial performance of the companies.	Quantitative method, using Wilcoxon sign ranking, mean, and median to test the difference in variables.	The result show that after measuring the changes in the performances the profitability, shareholders rates, operating efficiency,increased, leverage reduce and employment increase.
Saul Estrin & A.Pelletier (2018) privatization in developing countries what are the lessons of recent experience.	To determine the effect of privatization on performance in developing countries.	Quantitative method using regression analysis	The result indicate that ownership change from state to private does not automatic yield economic performance rather some factors influences the firm in stronger businesss but employment dcreases after privatization.

Annex: 3

Abbreviation:

NSE: Nigerian Stock Exchange

SOE: State owned Enterprises

LEV: Leverage

NIEFF:Net income efficiency

ROS: Return on Sales

LIV: Liquidity

ROE: Return on equity

ROA: Return on Asset