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Impact of Privatisation on Corporate Performance: A Study of Selected industries in Nigeria

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ABSTRACT: *Nigeria relied heavily upon public enterprises, up to the mid-1980s, for the development, management and allocation of utilities and social services. Authors have shown that these public enterprises have not lived up to the expectations of as major instruments for the government to mobilize and allocate public investment resources, employment generation and income redistribution, efficient government financing and the acceleration of overall economic development. With the privatisation of most public enterprises in Nigeria, existing studies have posited that lack of corporate governance would circumvent the interest of private owners. This study thus, investigates the ability of the corporate governance rule to help both the shareholders and the directors to maximise their interest from privatized firms in Nigeria. The surveys of 60 stakeholders (regulators and investors) Nigerian privatization were sampled. The Likert-type questionnaire was found to have Cronbash Alpha reliability coefficient of 0.93. Frequencies, percentages and* Spearman's rho coefficient of correlation were used for analyses. *The results have shown that corporate governance has significant positive relationship with privatization in terms of setting up sound corporate objectives and in maximizing shareholders wealth. This indicates that investment in privatized firms will be more profitable than investment in firms with government presence.*

KEYWORDS: *Corporate governance, privatisation, agency theory, Nigeria*

I. INTRODUCTION

1.1 Background of the Study

Nigeria has since independence in 1960 and particularly in the decade of the seventies - the oil boom years - developed a large parastatal sector incorporating economic activities such as banking and insurance, oil prospecting, exploration, refining and marketing, cement, paper, hotel etc. As at 30th November 1990, the Federal Government investment in each enterprise was over N36 billion and the replacement cost was put at over N500 billion (Amupitan, 2007). The reason for such huge government investment in the economy ranged from the provision of social services to inherited facilities meant to serve the colonial economy, the need to take over the economy from expatriates, the oil surplus of the 1970s and to achieve social justice and equitable distribution of resources (Amupitan, 2007). Thus, Nigeria relied heavily upon public enterprises, up to the mid-1980s, for the development, management and allocation of utilities and social services (Ayodele, 2004). Public enterprises were then seen as major instruments not only for the mobilization and allocation of public investment resources, employment generation and income redistribution, but also for determining government finances and the acceleration of overall economic development. The non-performance of the public enterprise has prompted series of discussions and policy recommendations on how best to move them out of their present quagmire. It was for these reasons that in 1999, the Democratic regime under the leadership of president Olusegun Obasanjo, initiated sweeping reforms across the various sectors of the Nigerian economy (Alabi, Onimisi, and Enete, 2010). They recognized that national public enterprises have failed to meet public expectation. The public enterprises were conceived to be consuming a large proportion of national resources without discharging the responsibilities thrust upon them.

Nigeria is at the verge of total transfer of ownership to private individuals and entities, yet the transfer of ownership alone does not suffice to create appropriate incentives for managers. Managers if left unchecked may use their insider position to serve their own personal interests rather than those of the corporation. Hence, a system of corporate governance is required.

Corporate governance is defined as a response to the agency problems that arise from the separation of ownership and control in a corporation. In this paper, we examined corporate governance within the context of privatization. Privatization provides an interesting setting in which to understand corporate governance, because it is a discrete event that often leads to a drastic change in the ownership structure. Thus, privatization is a natural experiment to examine how corporate governance mechanisms evolve, interact, and affect firm performance (Denis and McConnell, 2003). Corporate governance is concerned with the means by which dominant decision makers (typically managers) are controlled by other interested parties (Monks & Minow

1995). The corporate governance structure specifies the distribution of rights and responsibilities among different participants in the corporation, such as the board, managers, shareholders and other stakeholders, and spells out the rules and procedures for making decisions on corporate affairs. By doing this, it also provides the structure through which the company objectives are set and the means of attaining those objectives and monitoring performance (OECD 1999). Effective corporate governance is particularly important during times of crisis when major corporate restructuring is to be initiated and implemented, as in the early years of transition. The management has to decide upon a strategy for the enterprise in the market environment, including major changes in product mix and organizational structures. This restructuring has, due to path-dependency, long-term implications for the structure of the industry and its competitiveness.

However, systems of corporate governance have become a major obstacle to enterprise restructuring in Nigeria before and after privatization. Privatization other than by sales to outside investors often failed to create powerful incentives to guide managers in transforming firms. Therefore corporate governance has become the most debated issue in the transition economics literature (e.g. Frydman *et al.* 1999, La Porta, Lopez-de-Silanes and Shleifer 1999, Estrin 2002), and more recently in the management literature (Filatochev et al. 2000). The theory of property rights, primarily the principal agent model, has been the ideological foundation of the privatization policy. However, many firms did not, as presumed by the model, end up in outside control but under the governance of a variety of stakeholders, including managers, employees and the state. Privatized firms with weak corporate governance have repeatedly demonstrated weak performance and have frequently been “tunneled” by their management (Johnson and Shleifer, 2004). Thus, researchers have argued that, unless developing countries embrace a corporate governance perspective, privatization is unlikely to provide the benefits of improved performance with accountability (Dyck, 2000).

1.2 Statement of the Problem

In the public enterprise system, the government is the key policy maker for public corporations. With the transformation of these enterprises into private firms, the shareholders and directors become two distinct bodies with varying interest. Before the 1990s, the corporate governance rules developed by companies‘legislations and courts were not adequate to meet the modern challenge of large companies which emerged from the privatization exercise in Nigeria. This created a corporate governance problem for those companies especially on how such corporation can be managed efficiently by the controllers as well as inbuilt mechanism for corporate monitor by the shareholders. A widening gap between ownership and control turns directors of large companies to self perpetuating oligarchies. Therefore, there is the need to evolve corporate governance principles that will make directors to be loyal to their shareholders and not to exploit the gap so created. This will boost investor‘s confidence and also stimulate development. This study thus investigates the ability of the corporate governance rule to helping both the shareholders and the directors to maximise their interest from privatized firms in Nigeria.

1.3 Objectives of the Study

The main objective of the study is to investigate the role of corporation in the achievement of privatisation objectives of Nigerian government. The sub-objectives are:

1. To examine the role of corporate governance in establishing corporate objectives.
2. To investigate the impact of corporate governance on achieving the corporate objectives of privatised Nigerian corporations.
3. To investigate the impact of corporate governance on maximisation of shareholders wealth.

1.4 Research Questions

1. Does corporate governance enhance establishment of sound corporate objectives?
2. Does corporate governance have impact on achieving the corporate objectives of privatised Nigerian corporations?
3. Does corporate governance influence the maximisation of shareholders wealth?

1.5 Research Hypotheses

Ho1: Corporate governance does not have significant relationship with sound corporate objectives.

Ho2: Corporate governance does not have significant relationship with achieving the corporate objectives of privatised Nigerian corporations?

Ho3: Corporate governance does not have significant relationship with maximisation of shareholders wealth.

II. LITERATURE REVIEW

2.1 Theoretical Framework

2.1.1 The Theory of Privatization

The concept of privatization is based on the **neoliberal school of thought**. It is based on the doctrine of competition and profit motive founded on free market pricing and freedom from the interfering hands of state regulation (Wikipedia, 2011). Privatization, according to this theory could reap the advantages of the market system and competition, namely; effectiveness, productivity, and efficient service. Privatization would thus, strengthen market forces with some degree of deregulation, economic liberalization, relaxation of wage and price controls (Ugorji, 1995). Privatization and in some cases, commercialization, have grown in popularity and acceptability globally. It has also become an important instrument that government can use to promote economic development, improve the production and distribution of goods and services, stream- line government structure, and reinvigorate the industries controlled or managed by the state (Adeyemo, 2005). It is derived from the international capitalist imposition, especially the World Bank/IMF, which stipulated economic liberalization/privatization as pre-conditions for providing development loans to the Less Developed Countries (LDCs).

According to Ugorji (1995), privatization has become an acceptable paradigm in the political economy of states. It is a strategy for reducing the size of government and transferring assets and service functions from public to private ownership and control. Privatization is based on four core beliefs:

1. Government is into more things than it should be. It is intruding into private enterprise and lives
2. Government is unable to provide services effectively or efficiently
3. Public officials and public agencies are not adequately responsive to the public
4. Government consumes too many resources and thereby threatens economic growth.

According to Dimgba (2011), privatization is a phenomenon which has been a necessary concomitant to the principle of liberalization, which involves the transfer of control in terms of ownership and management from the government to private investors.

In Nigeria, the theory of privatization has not gone unchallenged as to its relevance to many Sub-Sahara African countries. From the view point expressed by Professor Aluko (cited in Adeyemo, 2005), the assumption of the inherent efficiency of the private sector should be questioned. He argued that in Nigeria, much of private sector profits are not always the result of efficient operation and increased productivity but rather often represent money that private contractors make through inflated contracts, patronage and corruption. He argues that most of the richest people in Nigeria's private sector make their money, for the most part, through their public sector connections and influence (Adeyemo, 2005).

Operationally, Nigerian commercialization and privatization Decree No 25 of 1988 defines privatization/commercialization as the reorganization of enterprises wholly and partly owned by the government in which such enterprises shall operate as profit-making ventures and without subventions from government. The decree also distinguishes between full and partial commercialization as well as privatization. The fully commercialized enterprises are expected to operate on a commercial basis – raise fund from the capital market without any form of government guarantee. Such enterprises are expected to use private sector procedures in the running of their business. It is expected that such enterprises would require no government subvention, but as a result of their high social service content; their operation cannot be left to individual shareholders. Such enterprises are expected to generate enough revenue to cover their operating expenditures. The government may therefore give them subventions to finance their capital-intensive projects.

Guided privatization as stipulated in the second phase of the privatization scheme, at its reactivation in 1999, conceives privatization as "the transfer of government owned shareholding in designated enterprises to private shareholders, comprising individuals and corporate bodies (Ayodele, 2004)". To this end, guided privatization was to be implemented in the context of "one enterprise at a time, so that the lesson of experience will be used to improve upon the programmers" (FGN, 1998).

2.1.2 Theory of Corporate Governance

The idea that corporate governance is a determinant of growth is consistent with, and in fact suggested by, classic economic theory. According to Tirole (2001), "the standard definition (of corporate governance) among economists and legal scholars refers to the defense of shareholder interest. Corporate governance is the response to typical agency problems between investors and managers of firms, who frequently have divergent interests. Without any constraints, management has no incentive to return any of the profits to the suppliers of finance *ex post*: they "might as well abscond with the money (Schleifer and Vishny, 1997). Of course, this creates problems securing financing *ex ante*: no one will be willing to finance a project when they know their capital will be stolen. For example, they may spend money on unnecessary luxury items, make business decisions with the primary intention of increasing their own power, or improperly manage risk in a manner that

does not maximize shareholder utility. Management that engages in such 84ehaviour84, whether conscious or unconscious, produces negative externalities that can be both costly to the investor and detrimental to the availability of finance. Thus, this study hinges on the corporate governance theory known as the agency theory.

Economic theory predicts that substantial legal protection of shareholders confers benefits on countries that are able to achieve it. Tirole (2001) notes that “a classical implication of the corporate finance literature is that firms with low agency costs are more likely to have access to cheap finance.” The suggestion is that firms in countries with better corporate governance frameworks are expected to have better access to cheap finance. In fact, La Porta and others (1999) argues that legal protection of outside investors limits the extent of expropriation of such investors...and thereby promotes financial development.” The further stressed that corporate governance (understood as the maximization of shareholder value) “will lead to the more efficient allocation of capital and thus improve savers’ access to investment opportunities and companies access to financing.” As the supply of external finance increases, we would expect aggregate investment levels to increase. As capital is allocated more effectively, we would expect GDP to grow. Overall, at least in theory, corporate governance should therefore contribute to development and assist in transition.

Notably also, Estrin (2002) contends that corporate governance is an essential component of enterprise restructuring and improving company performance, which in turn is a fundamental aspect of a successful transition. Indeed, Estrin further posited that

“improving company performance must mean, in part, providing incentives for efficient 84ehaviour.” Failure to produce these incentives can lead to counterproductive mechanisms occurring within firms: “If minority shareholders are not protected, then controlling owners or managers have incentives to strip assets from the firm.”

Such protection requires sound corporate governance practices, leading Estrin (2002) to ultimately conclude that “privatization is not enough: enterprise reform…also requires effective corporate governance.” This is especially true of Central and Eastern Europe, where voucher privatization frequently led to ownership structures that were highly dispersed, and thus less subject to the control of a majority shareholder (Estrin, 2002). If Estrin’s view were correct, we would expect to see higher levels of investment and better growth outcomes in countries with more extensive corporate governance regulations in place.

Agency theory having its roots in economic theory was exposited by Alchian and Demsetz (1972) and further developed by Jensen and Meckling (1976). Agency theory is defined as “*the relationship between the principals, such as shareholders and agents such as the company executives and managers*”. In this theory, shareholders who are the owners or principals of the company, hires the agents to perform work. Principals delegate the running of business to the directors or managers, who are the shareholder’s agents (Clarke, 2004). Indeed, Daily *et al* (2003) argued that two factors can influence the prominence of agency theory. First, the theory is conceptually and simple theory that reduces the corporation to two participants of managers and shareholders. Second, agency theory suggests that employees or managers in organizations can be self-interested.

The agency theory shareholders expect the agents to act and make decisions in the principal’s interest. On the contrary, the agent may not necessarily make decisions in the best interests of the principals (Padilla, 2000). Such a problem was first highlighted by Adam Smith in the 18th century and subsequently explored by Ross (1973) and the first detailed description of agency theory was presented by Jensen and Meckling (1976). Indeed, the notion of problems arising from the separation of ownership and control in agency theory has been confirmed by Davis, Schoorman and Donaldson (1997).

In agency theory, the agent may be succumbed to self-interest, opportunistic behavior and falling short of congruence between the aspirations of the principal and the agent’s pursuits. Even the understanding of risk defers in its approach. Although with such setbacks, agency theory was introduced basically as a separation of ownership and control (Bhimani, 2008). Holmstrom and Milgrom (1994) argued that instead of providing fluctuating incentive payments, the agents will only focus on projects that have a high return and have a fixed wage without any incentive component. Although this will provide a fair assessment, but it does not eradicate or even minimize corporate misconduct. Here, the positivist approach is used where the agents are controlled by principal-made rules, with the aim of maximizing shareholders value. Hence, a more individualistic view is applied in this theory (Clarke, 2004). Indeed, agency theory can be employed to explore the relationship between the ownership and management structure. However, where there is a separation, the agency model can be applied to align the goals of the management with that of the owners. Due to the fact that in a family firm, the management comprises of family members, hence the agency cost would be minimal as any firm’s performance does not really affect the firm performance (Eisenhardt, 1989). The model of an employee portrayed in the agency theory is more of a self-interested, individualistic and are bounded rationality where rewards and punishments seem to take priority (Jensen & Meckling, 1976). This theory prescribes that people or employees are held accountable in their tasks and responsibilities. Employees must constitute a good governance structure rather than just providing the need of shareholders, which maybe challenging the governance structure.

2.3 Empirical Literature

There is hardly empirical literature on the impact of privatization on corporate governance, though the issue of corporate governance is a top management issues in Nigeria. Omoleke (2007) asserted that N265.00 billion was spent on public enterprises in Nigeria without adequate return to investment while Obadan (2000) said:

"Public enterprises in many developing countries, as in Nigeria, have been attacked for being economically inefficient and wasteful of resources. They make significant demands on government resources, as well as on domestic and foreign credit. Yet these demands have been associated with low profitability and inefficiency."

Finally, Nassar and Akinola (1999) also affirmed that poor performance of Nigerian public enterprises in the 1980s called for policy of privatization and commercialization by the promulgation of Decree No. 25 of 1988 establishing the privatization policy while the Technical Committee on Privatisation and Commercialisation was organizing and monitoring the deinvestive programme.

Omoleke, Salawu, and Hassan, (2011) aimed is to investigate the socioeconomic and legal implications of the Nigeria Privatisation Policy. The methodology employed in the is to review the existing literature on SOEs and privatization policy in Nigeria and beef it up with empirical investigation of 50 consumers of the product of the SOEs in energy sector. The result from the review of literature and empirical study revealed that privatization policy will enhance foreign direct investment in Nigeria subject to positive economic and technological milieu in the country. The findings also revealed that the grassroot (the poor) are likely to suffer as they will no longer enjoy subsidized products and services of the SOEs slated for privatization while conversely it will further enhance socio-economic condition/hegemony of the bourgeoisie. Finally, the legal review revealed that the privatized SOEs will undergo legal and structural transformations.

Salawu and Akinlo (2005) examined the efficiency of privatization through the evaluation of financial performance of a privatized manufacturing company between the period 1978 to 2001. This period cover the pre-privatization and post-privatization period of the company under consideration. Privatization has been recognized as a key element to promote efficiency, reduce fiscal burden and help in developing capital market. In order to achieve the objective of the study, secondary data on the performance indicators were collected from the annual reports of the organization. The food manufacturing industry is considered as a sample design of the study among 10 groups of privatized economic strata. The result showed that there have been upward trends and steady growth in post-privatization era based on ROA, ROCE and ROE but with slight fluctuation in the growth rate in some of the years under study. The same trend as stated above applied to EPS, GPM and Turnover for the years under study. However, the findings showed that the privatization programme has a significant mixed impact on the operation of the company under study. The programme also indicated a positive impact in the operating financial performance of the company as reflected in it's consistent growth rate of returns of the years under study, especially in postprivatization era of the company. In spite of the general positive impact of privatization on the financial performance of the company, the post-privatization period was beset with escalating operational cost resulting from high rate of inflation, which was seriously obstructing investment and industrial growth. Thus, policies to tame inflation should have inbuilt ability to increase the productive capacity of the company.

Abdullahi, Abdullahi and Mohammed (2012) investigate the financial and operational efficiency of the privatized firms in Nigeria. Data for this study comes from secondary sources; specifically, Fact Book from the Nigerian Stock Exchange, Offer Prospectuses, as well as published annual reports and financial statements of the privatized firms. Our sampled firms are drawn from manufacturing, oil marketing, banking and insurance sub-sectors of the Nigerian economy. The period of analysis covers 5 years before, and 5 years after privatization. Study followed the techniques of Megginson et al. (1994) in order to determine post privatization performance changes. The study calculated the mean value of each variable for each firm over the pre and post privatization periods, then use the T- test and the Wilcoxon sign rank test as principal methods of testing for significant changes in the variables. Results obtained from this study are mixed. Whereas some companies in our sample show improvements in some indicators, other companies have shown decline in some indicators after privatization. However, in spite the mixed results, the overall picture shows improvement in profitability for at least half of the firms in our sample. Overall, the study conclude that our results provide little evidence that privatization has caused significant improvement by all indicators.

Afeikhena (2008) appraises the post-privatization performance of some privatized enterprises in Nigeria. The specific indicators examined are profitability, productive efficiency, employment, capital investment, output, prices and taxes. The study measures the change in any given indicator of performance by comparing its average value five years before and five years after privatization. Data envelopment analysis (DEA) is also deployed to assess changes in the level of technical efficiency in the selected enterprises. The results, albeit mixed, show significant increases in these indicators. Privatization is also associated with increase in technical efficiency in the affected enterprises. Reduction of politically motivated resource allocation has unquestionably been the principal benefit of privatization in Nigeria.

The empirical review so far has shown that much empirical literature does not exist on issues of privatization in Nigeria. Furthermore, no literature is available on the impact of privatization on corporate governance in Nigeria. Thus this work is a novel venture in that direction.

III. METHODOLOGY

3.1 Research Design:

As a result of non-availability of secondary data for this kind of research, the study adopted survey research and employed primary data source. The primary data used for the study is the Likert-type questionnaire

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3.2 Population, Sample and Sampling Techniques:

The population of the study is all the shareholders in privatized firms, government officials (Bureau of Public Enterprises - BPE) and the officials of regulatory bodies (SEC and NSE). The quasi sampling technique was used to study 20 members of each of the groups. Thus, the sample of the study is 20 staff of the BPE, 20 staff from SEC and/or NSE, and 20 investors. The sample was located in the metropolitan city of Lagos. This is to enable the research find respondents to all the group of the sample. Therefore, the sample of the study is 60 stakeholders in investment and corporate governance in Nigerian privatized firms.

3.3 Method of data collection:

The Likert-type questionnaire designed for the study comprised an 8-item question that addressed the research questions posed for the study. The questionnaires were distributed to the respondents found on spot at the BPE. The respondents for NSE and investors were sampled in the NSE trading floor in Lagos. The researcher used visit-revisit technique to identify a sample the valuable respondents to the study.

3.4 Validity and Reliability of the Instrument:

The instrument of the study is the Likert-type questionnaire designed for the study. The instrument was construct and content validated by research experts and senior lecturers in the faculty of management sciences, of Anambra State University. A pilot test was done using 10 respondents from the NSE, Onitsha Trading floor. The Cronbach Alpha test for internal consistency performed on the instrument gave 0.9 3. This indicated that the instrument is sound for the research.

3.5 Method of Analysis:

The descriptive statistics (frequencies and percentages) were used to answer the research questions while Spearman rank correlation was used to test the three hypotheses posed for the study. This technique was used since *Spearman's rho only requires ordinal data.* The SPSS (Special Package for Social Science) version 17 for windows was used to run the analysis.

IV. RESULTS AND DISCUSSION

4.1 Characteristics of Respondents

TABLE I: Characteristics of the Respondents

SN	Variables	Frequency	Percentage
1	**What is your status**		
	Management team in privatised firm	20	25
	Regulator	20	25
	Investor	40	50
	Total	80	100
2	**Years of Experience**		
	Below 5 years	8	9.9
	Between 50 to 10 years	21	25.9
	Above 10 years	51	
	Total	80	100
3	**Gender**		
	Male	55	68.8
	Female	25	31.3
		80	100
4	**Education qualification**		
	O'Level and equivalent	9	11.3
	NCE, OND or equivalent	30	37.5
	BSc, HND or equivalent	29	36.3
	Postgraduate Degrees	12	15.0
	Total	80	100

Source: Researcher's Computation from SPSS Analysis

The results above has shown that the respondents comprised 20 persons who are part of the management team in one of the privatised firms, 20 persons from the regulatory bodies and 40 persons are investors. Among these respondents, 8 persons had practicing experience below five years, 21 persons had between 5-10 years while 51 had above 10 years practicing experiences. Gender wise, 68.8% of the respondents are male while 31.3% are female. Their educational qualification are as follows: 11.3% has O'Level, 37.5% has NCE/OND or equivalent, 36.3% has HND/BSc or equivalent while 15% has postgraduate degree qualifications. The analysis suggest the respondents comprised persons with sound academic base and wealth of practicing experiences. This will give credence to the quality of responses they provide.

4.2 Analysis of Research Questions

Table II: Analysis of Research Questions

SN	Variable	Strongly Agree	Agree	Disagree	Strongly Disagree	Remarks
1	Privatization of Nigerian public enterprises is ideal	17 (21.3%)	38 (47.5%)	17 (21.3%)	8 (10.0%)	Agreement
2	Privatization enhances sound corporate governance of firms	20 (25.0%)	40 (50.0%)	17 (21.3%)	3 (3.8%)	Agreement
3	Privatization makes managers more focused on achieving corporate governance of firms	12 (15.0%)	25 (25.0%)	30 (37.5%)	13 (16.3%)	Disagreement
4	Corporate governance engenders maximization of shareholders wealth in privatised firms	30 (37.5%)	34 (42.5%)	13 (16.3%)	3 (3.8%)	Agreement

Source: Computation from SPSS 17 Analysis

The analysis on Table 4.2 addressed the research questions posed for the study. The question on whether privatization is a good policy in Nigeria was greeted with positive response. This implies that Nigerians as in support of the privatization programme of the federal government. Then, questionnaire items 2, 3 and 4 target the research questions 1, 2, and 3 respectively. The respondents indicated that privatization enhances sound corporate governance of firms. Majority of the respondents answered agree (50%), followed by strongly agree (25%). Thus, the study implies that privatisation can enhance the quality of corporate objectives of firms when privatisation is implemented. More so, the respondents to research question two answered that privatization makes managers more focused on achieving corporate governance of firms. This implies that, the privatised firms have not achieved their corporate objectives over the periods under study.

Furthermore, the research question three on whether corporate governance engenders maximization of shareholders wealth in privatised firms, was answered in agreement. These indicate that privatised firms maximise shareholders wealth more than public enterprises. This may have supported the notion that public enterprises are regarded as "no man's property", and thus is most times prone to mismanagement.

4.3 Hypotheses Testing

Table III: Spearman's rho correlation matrix

	(1)	(2)	(3)	(4)
1.Privatization of Nigerian public enterprises is ideal	1.000 . 80			
2. Privatization enhances sound corporate governance of firms	.317** .004 80	1.000 . 80		
3. Privatization makes managers more focused on achieving corporate objectives of firms	.179 .111 80	-.131 .247 80	1.000 . 80	
4. Corporate governance engenders maximization of shareholders wealth in privatized firms	.301** .007 80	.150 .185 80	-.014 .904 80	1.000 . 80

Source: Computation from SPSS 17 Analysis

4.3.1 Relationship between Corporate governance and Setting of sound corporate objectives

The hypothesis one: Corporate governance does not have significant relationship with sound corporate objectives; is tested with Spearman's Ranked Coefficient of Correlation. The result showed that weak and significant positive relationship between corporate governance and privatisation. This implies that privatisation enhances the setting of sound corporate objectives.

4.3.2 Relationship between Corporate governance and Achievement of corporate objectives

The second hypothesis is that: Corporate governance does not have significant relationship with achieving the corporate objectives of privatised Nigerian corporations. The result of the Spearman's Ranked Coefficient of Correlation showed that there is very weak and insignificant correlation between privatisation and the achievement of corporate objectives. This implies that the privatised firms have not achieved the purposes for privatising them over the period under study.

4.3.3 Relationship between Corporate governance and maximisation of shareholders wealth

The third hypothesis is that: Corporate governance does not have significant relationship with maximisation of shareholders wealth. The result gives a correlation of .301 with significance of 0.007. This indicates that there is weak and significant positive relationship between corporate governance and maximization of shareholders wealth in privatized firms.

V. 5 CONCLUSIONS AND RECOMMENDATIONS

5.1 Conclusion

The study has investigated the impact of corporate governance in privatization of firms. The analysis has shown that corporate governance has significant positive relationship with privatization in terms of setting up sound corporate objectives and in maximizing shareholders wealth. This indicates that investment in privatized firms will be more profitable than investment in firms with government presence. The study also posits that privatization has not achieved the corporate objectives (purposes of setting up) of the firms. This have supported the claims of that the performance of the Nigerian Public Enterprises have been and continued to be criticized for her lack of productivity, efficiency, and transparency (Dakare, Sulaimon, Kuye, and Iwuji, 2011). This supported the claims that most privatized companies being owned by new local and foreign private owners are being characterised by corruption and mismanagement and have consequently failed to create wealth or to generate employment opportunities for Nigerians. Thus, the privatized firms have not lived up to their expectations.

5.2 Recommendations

Based on the findings and conclusions from the study, the researcher recommend as follows:

1. Further privatization exercise should be freed from corruption and malpractices. This can be achieved by following due process in the privatization exercise. The Bureau of Private Enterprise should be monitored by the relevant regulatory bodies during the exercise.
2. The privatization process in Nigerian should be open to both foreign and local investors. This will make the exercise more competing and worthwhile.

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