

PDF - ANALYSIS OF MANAGEMENT OF REVENUE GENERATION AND ACCOUNTABILITY IN PUBLIC ENTERPRISES IN NIGERIA (A STUDY OF SELECTED PARASTALS IN NIGERIA) - researchcub.info

CHAPTER ONE

INTRODUCTION

1.1 Background to the Study

Public enterprises are government business enterprises setup primarily to provide social and economic services to the general Public. Among the enterprises, however there are those that produce mainly the core economic infrastructure called utilities. Public utilities are of social and economic significance because they have direct impact on the standard of living of the populace and have a bearing on the international competitiveness of the economy. They also have direct forward and backward linkages to other sectors of the economy. Hedrick (2010) stated that inadequate services provided by the dysfunctional public utilities have contributed immensely to the escalating domestic production cost, which directly undermines the nation's competitiveness as an investment location.

In Nigeria, like most other developing countries, the ownership and control of key public utilities have virtually been the responsibility of the government since independence in 1960. The case for government control of public utilities, such as electricity, tele-communication, gas, water supply and air transportation is based on the argument that basic goods and services need to be provided to the citizenry at affordable prices and also that government needs to control the utilities due to their relative significance in the national economy. The other grounds for government policy in this area include the capital intensive nature of public utilities and the alleged inability of the private sector to generate enough resources to invest and exploit economies of scale associated with these establishments.

Over the years, however, the inability of successive Nigerian governments to provide the services in an efficient manner has led to persistent calls for reform. In response, several policy initiatives have been undertaken, including market regulation, deregulation, liberalization and privatization. For example, regulation was an attempt to alter the socially undesirable behavior which the monopoly status of public enterprises has tended to encourage. However, most of the public utilities have continued to be run inefficiently at low rate of return and to operate sub-optimally, with outmoded and dysfunctional machinery and equipment due to lack of exposure to competition and mismanagement of grants and subventions. According to Hendrick (2010), Privatization involves the sale of equities in public enterprises to private investors with or without the loss of government control in these organizations. It may take the form of deregulation of state monopolies by the abrogation of legislations restricting entry into certain economic activities. The mechanism may be by sub-contracting (i.e, operational and maintenance contracts or enterprises contracts), work previously undertaken by state employee to the private sector. In the view of Estache (2011), privatization may operate in the form of divestiture, which is the actual sale of public assets to the private sector through public offer of shares or private sales of assets. Government usually embarks on privatization as part of restructuring the economic base of a country to promote efficiency and free government of the burden of fiscal imbalance brought about by government deep involvement in business enterprise.

As would be expected, the reform programmes adopted by Nigerian governments since SAP have raised fundamental issues regarding the ownership structure, economic efficiency, profitability and income distribution as well as the appropriate balance between private and public sector roles in the provision of

utility services

1.2 STATEMENT OF PROBLEM

In most developing countries including Nigeria, government participation in economic activity is usually significant. One of the various ways through which the government has intervened in the Nigerian economy is through the establishment of public enterprises. Public enterprises are statutory bodies operating services of an economic or social character on behalf of the government.

Ademolokun (2011), stated that the rationales behind the establishment of public enterprises in Nigeria are many, some of the reasons includes, generation of revenue that will add to available national capital for the support of development and welfare programmes, making it impossible for important profitable enterprises to be controlled by the few individuals or groups, organizing certain critical activities for national survival and economic stability and providing employment opportunities. In the view of Sanda (2007) the national Electric Power Authority (NEPA) and the Nigeria telecommunications

Limited (NITEL) are among the critical and strategic organizations whose 'activities are expected to contribute in no small measure in our national development. This is so, more, in the present era of technology and proper information management system. Conversely, the operations of public enterprises in Nigeria have of recent turned to be a very better pill for the government that set them up and the populace they were meant to serve. The populace are complaining of shoddy services from these organizations while the government has identified public enterprises in Nigeria as veritable drainage pipes for the limited resources available for the government. Consequently, the privatization and commercialization options became very attractive to the government,

Report of boards of enquires on public enterprises in Nigeria including those under this study had shown that the root cause of non-performance of these public enterprises were poor funding and inept financial husbandry.

The main focus or problem of this study is to identify how sound management of revenue generation and accountability in a public enterprises can stave the collapse of our selected public enterprises — NEPA and NITEL. The study will also give attention on how the problem of poor financial resources management like waste of fund, fraud and diversion of fund could be curbed in our public enterprises. The study will explore how the future prospects of these enterprises could be enhanced through the deployment of well trained and skilled, well remunerated and motivated workers on revenue generation and accountability duties.

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