

FINANCING COMMERCIALISED PUBLIC
CORPORATIONS THROUGH CAPITAL MARKET

A CASE STUDY OF NITEL

BY

MUHAMMAD BALA ALIYU

MBA/ADMIN/15013/97 - 98

Dept. of Business Administration

Institute of Administration

A.B.U. Zaria

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DECLARATION

I hereby declare that this research is an original work carried out by me under the supervision of Mallam Yusuf Abdullahi of the Department of Business Administration, Institute of Administration, A. B. U. Zaria. I therefore accept full responsibility for the contents of the research work.

A handwritten signature in black ink, appearing to read 'Muhammad Bala Aliyu', written in a cursive style.

MUHAMMAD BALA ALIYU

CERTIFICATION

This thesis has been duly supervised, read and approved as having satisfied one of the necessary conditions for the award of Masters of Business Administration in the Department of Business Administration, Institute of Administration, Ahmadu Bello University Zaria.

Mal. Yusuf Abdullahi [Signature] 3/9/2000
SUPERVISOR SIGNATURE/DATE

[Signature] 7-12-07
HEAD OF DEPARTMENT SIGNATURE/DATE
Dr. Sam A. Abdullahi

Professor Usman A. Zakiyatu [Signature] 30/09/2000
EXTERNAL EXAMINER SIGNATURE/DATE

[Signature] 20/10/02
DEAN POST GRADUATE SCHOOL SIGNATURE/DATE

DEDICATION

This project is dedicated, first and foremost to my dearest father, Late Alhaji Aliyu Katamba Ahmed (may his gentle soul rest in peace) for his support and encouragement. Secondly, to my mother for her endless love and support and finally to my younger ones as an inspiration to their educational career and personal development.

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ABSTRACT

The last few decade saw the Nigerian Public sector being lambasted for poor performance, mismanagement of resources, corruption, embezzlement, to mention but a **few**. In particular the public corporations seem to be drawn in the sea of inefficiency; ineffectiveness; poor funding; absolute reliance on government grants and subventions; lack of qualified management **Staff**; corruption; etc which stops them from achieving their statutory objectives.

The Federal Government, in an attempt to redeem their lost glory, put in place a number of policy measures aimed at redefining, redirecting and injecting goal attainment in the public corporations. Structural Adjustment Programme (SAP) to be precise, commercialisation and privatisation policies were vigorously pursued by the government. The researcher singles out some of the objectives contained in commercialisation policy namely:

To encourage public corporations to approach and secure fund through the capital market without government guarantee ;

To encourage them to survive without government subvention

The researcher attempted a review of the Nigerian economy; the Nigerian Public Corporation; the Commercialisation and Privatisation policy; the Nigerian capital market. Using NITEL as a case study, the researcher examined the extent to which public corporations had first been able to survive without government funding and secondly the efforts they had made towards raising required finance through the Nigerian Capital Market. Equally, we considered the ability and preparedness of the capital market to accommodate these corporations. Finally, recommendations were made on how to ensure adequate telecommunication services at minimum cost; the role the NITEL and PTC should not play the development in telecommunication industry, the government should not practise but fully commercialise public corporations.

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CHAPTER ONE

INTRODUCTION

1.1 AN OVERVIEW OF THE NIGERIAN ECONOMY (1970 – 1998)

The Nigerian Public Corporations or Enterprises were created as a strategy for socio-economic and industrial development. This was to meet the ever – increasing demands and aspirations of a newly independent society which neither the ministries nor the private sector could satisfy (Lar, 1980). The public sector witnessed an enormous expansion both in size and number during the oil boom period, which was accompanied by a lot of structural changes in the socio – economic and political sectors of the economy .

The Federal Government thus embarked on a number of investment projects with the view of attaining maximum social welfare and obtaining economic returns in some projects. As was clearly mentioned in its second national development plan of 1970 to 1974, government made it her concern to control the essential growth – sensitive sectors of the economy in areas of commerce, industry, fuel and energy, constructions, transport, finance and education (Longe, 1982). By and large, the vital role which public corporations play in achieving our national development goals cannot be over – emphasized. This resulted in the control by Federal Government in 1980 of about 110 commercially oriented and 70 non- commercially oriented Federal parastatals (TCPC, Annual Reports, 1998/89). More so, in early 1980s public sector accounted for almost half of the Gross Domestic Product (GDP) and two thirds of the modern sector employment. The Federal Government was thus actively engaged in the ownership and management of these parastatals covering the major socio-economic activities like banking, insurance, and industry. It was noted that the Federal Government invested large sums of money in these corporations

However, it is pathetic to realize that despite the huge amount invested in public corporations, they have not been doing well. In fact, a large number of them depend greatly on government funding to survive. The public enterprises have been highly managed inefficiently and ineffectively as far as performance was concerned in meeting the objectives for which they were established. As Professor Aboyade (1980) observed, the performance of the Nigerian Public Corporations in the last few decades "... can only be described in a polite language as disappointing....." The fact remains that there have been low returns on capital investment, low managerial quality and the outright ministerial meddling in the daily operations of the Public Corporation contributed to their failure (Aboyade, 1980).

Another major problem which when added to the lack of efficient management and bureaucratic bottleneck compounded the problems of public sector and the Nigerian economy at large, was the sudden decline of oil boom in the 1980s down through the 1990s. The fall in world oil prices and domestic oil production led to sharp decline in aggregate expenditure and government subventions or grants to the public corporations which usually subsidized their operational cost when they were unable to break even. This also led to stoppage in some government projects as well as under-utilization of our national industrial capacity, for there was large – scale lay- off of the work force, closure of some industries, severe market shortages, and consequently high increase in prices of essential commodities. Furthermore, investment as a proportion of GDP has reduced in both private and public sectors (see 1986-1998 National Budget).

Although the government to control and resolve their economic crisis drew a number of policy measures, they were not vigorously pursued. Some of these policies include the Trade and Exchange Control measures under Economic Stabilization Act of 1982 and 1984 and the 15- month Economic Emergency Policies of 1985. All these have insignificant effect on the economy.

It was against this background that the issue of commercialization and privatization of public parastatals came into limelight. These were contained in the 1986 budget within the framework of Structural Adjustment Programme (SAP) which was a programme designed to re-organize aggregate domestic expenditure and productive patterns. The government decided to divest its participation in public parastatals or to re-organize such investments to enable them survive on their own and at the same time be independent (see 1986 National Budget). Privatization here refers to the sale of government shares or interest to the public, while commercialization was designated the reorganization and reorientation of public corporations to make profit or at least break –even by covering their operational cost.

This SAP policy, in particular privatization and commercialization policy, was adopted via 1986 National Budget. As was stated in that particular budget as well as other subsequent budgets till date, the level of non-statutory transfers to all economic as well as quasi – economic parastatals would constitute not more than 50 per cent of their present level. The remaining balance is to be met by increases in their charges, rates, tariffs and prices. While in those commercially oriented enterprises or corporation the Federal Government will divest its shares in food, beverages, breweries, agriculture, hotel, non-sensitive industries, and distilleries, (see 1986 National Budget). It was observed that by so doing the government's aggregate expenditure will decline and thus enable it pay more attention to other pressing socio-economic and political needs of the society.

1.2 STATEMENT OF THE PROBLEM

Public corporations no doubt occupy and play a dominant role in our national economy. A lot of questions were asked by some scholars on how best to solve these problems posed on the Federal Government by the parastatals, most especially the non- commercially oriented and welfare directed enterprise.

Some observers view poor management as the major problem of corporations. Others are of the opinion that the poor performance and inefficiency of public corporations was caused by high growth rate in demand, manpower shortage or poor motivations, whilst some observers are of the strong view that such public corporations are poorly funded, i.e they are crippled by inadequate financing. Other observers went further to posit that it is neither of the above mentioned problems but primarily a question of the political and socio-economic nature of the environment under which they operate with never- ending ministerial and political meddling.

The Federal Government thus in consideration of the above-mentioned dilemma of the public corporations adopted the commercialization policy to resolve the dilemma. However, the question or rather the problem before this research is to analysis the extent to which commercialization policy has been able to check the ineffectiveness and inefficiency of the corporations. To be precise, this research intends to analyze the extent to which public corporations have been able to survive without government funding (i.e. grants, subventions etc). Secondly, to also find out whether or not these commercialized public corporation have been able to raise funds i.e. are being financed through the capital market, as this is one of the principal objectives of commercialization policy. These questions constitute the central focus of this research study.

1.3 AIMS AND OBJECTIVES

This research intends to determine the reasons which prompted the Federal Government to adopt commercialization policy, its framework, aims and objectives and the subsequent commercialisation of Nigerian Telecommunications Limited (NITEL) being one of the listed corporations to be commercialised.

The study further intends to evaluate the extent to which NITEL has been able to carry on its operations and provide services to the public without Federal Government grants and subventions. The evaluation will be based on the ability of NITEL to raise capital fund, especially in terms of approaching the Nigerian capital market for such finance.

1.4 SIGNIFICANCE OF THE STUDY

As must have been noted from the preceding discussions, this research will no doubt be of vital significance to many issues relating to public corporations as it affects the national economy.

For instance the research deals with an economic and social policy decision of the nation still undergoing the process of implementation. This of course has not been adequately researched on. Moreover, the study will in the future provide information to researchers (both academic and non-academic) as well as public parastatals on issues relating to the viability of commercialisation of public corporations especially in obtaining finance through the capital market, and the ability of the Nigerian capital market to accommodate public corporations.

Further, the research will build upon existing literatures relating to the concept under study and hence identify the benefits and short comings of the policy as adopted. This will further enable it proffer recommendations to resolve the short comings.

1.5 SCOPE AND LIMITATION OF THE RESEARCH

The research covers issues relating to commercialisation policy of Nigeria Public Corporations. It intends to examine the effect of its implementation on Public Corporations and the economy at large. NITEL is considered as the case study for the

research to measure the policy impact. It also covers the years between 1985 to 1998. This research project is constrained by time and finance. Moreover, this research being centered on a recent policy still in the process of implementation, not much information and literature concerning its impact exist. There also exist the classification of some vital documents and information as strictly confidential, thus leading to the unwillingness by the authorities to release them.

1.6 RESEARCH HYPOTHESIS

Bearing in mind the aims and objectives of the research as mentioned earlier, the following propositions will guide the research.

1. Public Corporations have been able to survive, carry on with operations and provide services to the public without resorting to government grants or subventions
2. NITEL has been able to obtain finance through the Nigerian Capital market as Contained in commercialisation policy

1.7 RESEARCH METHODOLOGY

The research findings of this study as well as its conclusion and recommendations are based on existing literatures, documents and interviews conducted as the main sources of data i.e. Primary and Secondary were explored

DATA COLLECTION METHODS

The data used by the researcher were essentially drawn from primary and secondary sources through extensive examination of literatures, documents and *conduction of interviews.*

1.5 SCOPE AND LIMITATION OF THE RESEARCH

PRIMARY AND SECONDRY DATA

Primary Data – The main sources of primary data for this thesis are:

- Interview
- Questionnaire

(i) **Interviews**: As data collection techniques, interviews comprise meetings and discussions in which the researcher directs question at the subject and record the obtained responses. These are in the form of face to face interaction. Quite a number of interviews were conducted at various occasion with officials of NITEL, New- Devco (stock Brokers), Kaduna Stock Exchange and other Capital Market Operators. Some of those interviewed specifically requested for anonymity owing to the sensitive nature of information involved.

Generally the researcher on his visit to NITEL had accessibility to respondents and some required information (others were classification confidential thus inaccessible).

This technique allows for quick information generation and higher rates of response. Another advantage enjoyed by this method is allowance for greater flexibility in the process of questioning, where more topics or issues were introduced. It equally allowed the researcher to ascertain the validity of responses by further in dept probing of responses and analysing respondents state of nervousness, hesitation etc in responding.

(ii) **Questionnaire**: This method is a device for obtaining answers to relevant research questions from a sample of respondents. Expectedly, the researcher administered a form containing a set of questions, which the respondents fill. In all about 50 questionnaires were distributed and only 48 were returned.

The questionnaire allowed the research to present exactly the same questions and wording, and in the same order to all respondents. The aim is to ensure that all the

respondents reply to the same set of questions, this helps to get the same type of information from a large number or group of respondents.

SECONDARY DATA-

The secondary data mainly consist of documents, Official Annual Account and Report of TCPC, and various publications from NITEL. It should be noted that the researcher was not allowed to take away copies or quote some of these documents, as they are classified information.

The secondary data further comprise periodicals, journals, national dailies, and sessional papers, which provide relevant information to the research work.

INSTRUMENTS OF DATA ANALYSIS

The researcher employed the following tool /instruments for data analysis

- Tables and tabulation
- Statistical percentages
- Graphs / charts

The essence of using them is to lucidly present the data obtained and ensure clear understanding of the analysis by beneficiaries , of the major issues raised and discussed in the course of the research.

CHAPTER TWO

REVIEW OF RELATED LITERATURE

2.1 NIGERIAN CORPORATIONS IN REVIEW

Over the years many people perceived that the establishment of Public parastatals outside the regular administrative framework of government in Nigeria was a by-product of the traditional conception by the British that civil service as a body ill-fitted both by outlook, orientation and practical experience for the efficient and effective management of a commercial and quasi – commercial character, corporation or enterprise (Teriba, 1968). Moreso, this might be due in part to the more pronounced tendency in developing countries to create a new quasi- autonomous institution for the fulfillment of almost every new need that became apparent (Teriba , lbid).

It will be most appropriate at this juncture to explain and define what is meant by public parastatals, for it has been and will continuously be mentioned in the course of this research. The term public parastatals or enterprise is a general term which refers to all public corporations (i.e public utilities), boards, and government owned commercially – oriented enterprises (Obasi, 1987). Therefore as was defined by Oynewuenyi (1979), “Statutory corporations and state- owned companies are public enterprises set up by the government to provides services, carry out industrial or commercial business, or regulate activities or practices in some sectors which are fundamental to the national economy”.

Another lucid definition of public enterprises was given by Obasi (1985) when he observed that public corporation or utility is “an extra -ministerial establishment which is meant to provide essential infrastructural services such as electricity, water, housing , transport, and communication (that private entrepreneurs are discouraged from

undertaking so that the generality of the people would enjoy such services at reasonable prices.” It should however be noted that recent proclamation by the Federal Government had abolished the monopoly hitherto enjoyed by these public corporations. The private sector is now free to venture into such essential infrastructural services earlier provided by only public corporations thus ushering in a new era of competition.

Nevertheless various classifications of these parastatals could be made from the above definition. These are: firstly, we have **public utility corporations** which include National Electric Power Authority (NEPA), Nigerian Railway Corporation (NRC), Nigerian Airways, Nigeria Telecommunications Limited (NITEL), Water Corporations, Federal Radio Corporation of Nigeria (FRCN), and Housing Corporation. In the second category we have the **Boards or Commissions** that regulate activities and practices, and examples include Independent National Electoral Commission (INEC), Civil Service Commission (CSC), Standard Organization of Nigeria (SON), Nigeria Universities Commission (NUC) etc. Thirdly , we have **state owned companies** that produce and operate as commercial enterprises, they comprise of Ajaokuta Steel Complex , Cement Company of Northern Nigeria (CCNN), Nigeria National Petroleum Company (NNPC), Bacheta Sugar Company etc.

2.1.2 THE CHARACTERISTICS OF PUBLIC CORPORATIONS

It is however most interesting to realise that these various categories of public enterprises shared similar characteristics which include the following as identified by Obasi (1985):

A MONOPOLISTIC IN NATURE: This refers to the age long control they once use to have over the provision of infrastructural services. However, recent developments

have but challenged this characteristic as more and more private entrepreneurs seem to now provide similar services. For instance in the communication industry etc quite a number of private entrepreneurs are actively involved in such businesses carried on by public corporations for which they were hitherto discouraged from participation. Pick for example African Independent Television (AIT), Desmim Independent Television (DITV), etc in the Broadcasting and Electronic Media industry, while in the airline industry we have private operators like Kabo Air, Chanchangi Airline, GAS, Okada Airline all challenging the Nigerian Airways. In the telecommunication industry, six private firms were given licenses to provide digital telephone service within Lagos and its environs as a sign of deregulation of the economy by the government .

B PERVASIVE INFLUENCE: These enterprises or corporations exercise a kind of pervasive influence over the living standard of the masses. For instance, consider the effect of water corporations service on the generality of the people; or consider that of NEPA's service to people's welfare.

C They are required officially to charge reasonable prices for their services, although the recent commercialisation policy allowed them to charge commercial prices for their services. Indeed this has been and is still manifesting in the various pronouncement by these corporations of increases in their charges, tariffs or prices from time to time.

D Their function are mostly service oriented in nature

E They provide mostly infrastructural services

F They are less autonomous than state – owned companies.

- G** They enjoy large amount of subsidy or subvention from the government. However they will now enjoy lesser degree of subvention as a result of commercialisation policy. This shall be discussed extensively in chapter four of this work.
- H** Finally, they are considered as legal entities that can sue and be sued in their own corporate names.

2.1.3 REASONS FOR THE ESTABLISHMENT OF PUBLIC CORPORATIONS

A number of reasons were advanced as being responsible for the establishment of Public Corporations . Some of these as rightly document by Obasi (1987) are:

Firstly, the government was induced by the need to control strategic sectors of the nation's socio- economic activities which will help in proper planning and direction of the nation's development . Secondly, there are certain essential services of the government to the people which need to be provided efficiently and continuously at prices to enable improvement in the standard of living of the masses. Thirdly , enormous amount of money required to provide such infrastructural services discourages private entrepreneurs from investing in them, hence the Federal Government was forced to come in to protect the interest of the nation. Fourthly, some of these government essential services to the people have to be provided under an organisation environment free from bureaucratic bottle- neck and red-tape inherent in the civil service. Looked at from another angle, it will allow freedom of initiative, quick decision , and more flexible policies and methods all of which are impaired under direct governmental management

through the instrumentality of civil service. Lastly, it is expected that the activities of the public corporations can produce a kind of multiplier effect within the economy and thus help to generate more economic development .

2.1.4 THE PROBLEMS OF PUBLIC CORPORATIONS

Notwithstanding their laudable aims and objective, the Nigerian Public Corporations are faced with a number of complex problems, some of which were earlier observed in chapter one. These problems, as succinctly observed by President Babangida (1985), include: inefficient management, high overhead cost, and in a number of cases low or even negative return on investment . A number of writers tried on their own to pinpoint other various problems responsible for the inefficient and ineffective performance of these parastatals . These problems as observed Obasi (1987) include lack of fund, dearth of experienced and competent staff , undue government and political influence, consumers' unwillingness to settle bills, high cost of maintaining equipment , corruption and abuse of office, conflicting role expectation, poor caliber of board members , and the problem of ethnicity and nepotism.

Obasi further observed that all these problems are largely a product of the neo-colonial and dependent capitalist character of the entire Nigerian economy. He believes that the Nigerian public corporations just like other public institutions, "are suffering from the problems generated or exacerbated by the neo-colonial and depend capitalist nature of the economy"

These problems prompted the government at one time or the other to proffer various corrective measures, the most recent of them all is the twin policy of privatisation

and commercialisation programme. A focus on NITEL will reveal some of the problems facing utility corporations in Nigeria.

2.2.0 REVIEW OF NITEL'S PERFORMANCE AND ITS FINANCING

In reviewing NITEL's performance, attention will be focused on the following areas:

- *NITEL's ability to provide services to customer*
- *NITEL's growth since inception*
- *NITEL's commercialisation and financing*
- *Problems and prospect of NITEL*

2.2.1 NITEL'S PROVISION OF SERVICES TO CUSTOMERS

"Nigeria is placed at the 49th position among under developed nations with stunted communications facilities. With the average of one telephone to 200 persons, the country is ranked 79th in the World." (See the Guardian , "waiting for Telephone 1998 p4).

The above was quoted from a report published by the International Telecommunications Union (ITU), where Nigeria (the so called *GIANT OF AFRICA*) is ranked among the least developed countries, even in Africa (See waiting for Telephone, 1998). Telecommunication services (telephone) was introduced to Nigeria about a century ago , yet we can only boast of about 500,000 functional lines averaging 1 telephone line to about 200 persons, based on Nigeria's estimated population of 100 million. This is a far cry from bringing telecommunication services to the door steps of every Nigerian. On another account, Nigeria has about 776 Local Government, of which

only a handful of 228 can boast of enjoying NITEL's services, the remaining 584 are yet to have telephone (Obaze, 1998 p20). One then wonders if by the turn of the century, telephone services could reach the door step of every Nigerian when two – third of the Local Government are yet to be connected to telephone.

It has been projected that 11 million telephone lines is required currently to enable the national carrier (NITEL) and the new entrant private operators to bring telecommunication services to the door steps of every Nigerian (Obaze, 1998 p20). While on another analysis, it was further estimated that about 3 million new telephone lines are needed to meet demand of about 3 million potential subscribers on the waiting list by the turn of the century ("See waiting for the telephone", The Guardian 1998, p14). It is for this reason that analysts are advocating for not only the deregulation of telecommunication industry but also advocating for another carrier to join NITEL to ensure speedy expansion. Such expansion it has been estimated will gulp about = N=500 billion of fresh investment (" See waiting for the telephone ibid)

... At this point we can focus our attention on the quality or effectiveness of telecommunication services to those areas already benefits from them. To that extent one may be tempted to ask these questions: *to what extent is telephone services provided effectively to the customers in the urban areas? How effective is NITEL in restoring or normalizing faults when reported?* In a Guardian publication an article reads "NITEL of Surulere" (Alade, 1998 ,p14) , it was reported that hundreds of telephone subscribers besiege NITEL office at Bode Thomas Street, Lagos on daily basis to complain about their faulty lines.

In another instance, a NITEL official admitted their ineffectiveness when he identified causes of low performance as including poor state of NITEL cables; bush burning; digging of water pipes etc. as militating against effective communication systems . The above short comings of NITEL notwithstanding , the authorities concerned both at parastatal and ministerial/ federal levels have at various instances taken far reaching decisions towards improving the situation. For in NITEL in Kaduna recently embarked upon an intensive rehabilitation of cable network in the state with promise for further improvement of services , as was disclosed by their territorial PRO , Mr Femi Odebode (see Punch April 21 , 1998 p14) . In another development , the Territorial Manager of NITEL Edo State hinted while speaking with newsmen that serious rehabilitation of cables and NITEL installations is underway (see the Punch May 19, 1998 ,p4).

Equally worth noting is the efforts of NITEL in providing telecommunication services at various trade fairs whenever they hold. For instance, NITEL has been commended for not only ensuring that participants enjoyed constant telecommunication services, but also for being able to provide, develop, and maintain such services efficiently and effectively to the country (see Trade fair (day 8) Vanguard Friday April 3, 1998p27).

On a similar note, NITEL has been commended for the introduction of *cardphones* to replace *coinbooths* and *business centers* running commercial phone services banned because of alleged malpractice). Ambekemo (1998) was quik to observe that the *cardphones* are however inadequately provided. This facility is mostly found

around NITEL offices and some selected locations in cities and urban centres to the neglect of the rural areas.

Commenting on NITEL's performance, the late Head of State General Abacha, said that "it is heartening to note that while today's NITEL may not have met the minimum standard of telephone-to- population ratio, more calls are being completed on the first dial" (see NITEL NEWS vol. 8 No 84 May 1998).

2.2.2 PROBLEMS AND PROSPECT OF NITEL

Earlier in this chapter, mention has been made of problems facing public corporations. These and others to be enumerated below hinder NITEL from realising its objectives and attainment of performance per excellence. Such additional problems which are mostly peculiar to NITEL (see SEZLINK Vol.1 No 3 March 1998:3) include:

- i** Inadequacy of trunk circuits which inhibit accessibility, customer satisfaction and reduces revenue generation
- ii** Some Telephone Exchange are loaded to capacity making expansion or provision of services to prospective customers on waiting list difficult .
- iii** Obsolete equipment which are unserviceable, hence the need to be replace
- iv** Lack of steady power supply and absence or obsolesce of station batteries/ generation sets.
- v** External Line Plant (ELP) problems
- vi** Quite a number of operational vehicles are old and unserviceable
- vii** Theft and vandalisation of NITEL cables, equipment and installations.

Notwithstanding its numerous problems, NITEL over the years has taken giant strides towards growth and development. This could be seen in the light of some project

either already commissioned or embarked upon.. Just recently, in May 1999 it launched a ...
= N=3.8 billion Kaduna Digital Earth Station and International Telecommunication Switching Center (ITSC). The center commissioned by the then Head of State Late General Abacha, was expected to complete the modernization and expansion of Nigeria's International Communication Infrastructure (see New Nigeria May 27 1998 p1) . The ITSC, commented the Managing Director of NITEL Professor Bajoga, is apex of national switching network, and add to being an interfacing point for international traffic, It provides the synchronization signal for the entire national network. The ITSC at Kaduna has an installed capacity of 7, 650 trucks equipped for a wide range of signaling types for both national and international operations thus can interface with various switching systems locally and internationally.

It should be equally noted that similar dual antennae digital satellite earth stations were each commissioned in Lagos in December 1992 and Enugu in August 1993. These were commissioned by General Babangida, the then president (see NITEL News Vol 84, May 1998 p1).

To further support these three ITSC and earth stations, the existing two analogue earth stations at Kujama (Kaduna State) and Lanlate (Oyo State) are being utilized for data transmission. With these facilities, NITEL hopes to achieve a total of 3.4 million telephone lines by the year 2010, translating to density of 2.4 telephone lines per 100 inhabitants for an estimated population of about 142.12 million at an annual growth rate of 2.5 per cent (see New Nigerian May 27 , 1998 p2).

In another development NITEL had taken digital technology to Ibadan, Ogbomosho, Ijebu Ode, Akure, Otta, Ilorin and Abeokuta, while work is in progress at

Ado – Ekiti, Owo , Offa and Ondo . While in the North - Eastern part of the country, work on digital exchanges has reached an appreciable level of progress in Bauchi, Maiduguri, Gombe, Jos, Yola and Makurdi. The transmission path which is powered by solar energy as a response to the constant power failure was introduced in 1996 (see New Nigerian Ibid)

2.3.1 COMMERCIALISATION POLICY (NATURE AND SCOPE)

It will be recalled that the Federal Government of Nigeria in response to the continued problems of public enterprises (as earlier mentioned in the chapter) adopted the policy of privatisation and commercialisation of all public enterprises in Nigeria. Commercialisation is the main theme of this project and shall therefore be our main concern here.

The Federal Government in 1988 promulgated decree No. 25 which set up the Technical Committee on Privatisation and Commercialisation (TCPC), now Bureau for Public Enterprises (BPE) as a legal frame work for the implementation of its commercialization programme within the context of SAP (see TCPC Annual Report and Audited Account 1988/89).

Under this decree, commercialisation was defined as the reorganisation of enterprises wholly or partially owned by the Federal Military Government in which such commercialised enterprises shall operate as profit making commercial ventures and without subvention from the Federal Military Government . A total of 35 public parastatals were listed for commercialisation. 24 out the total figure are for partial commercialisation while the remaining 11 are to be fully commercialised

The term "partial commercialisation " of an enterprise in this regard means that such designated enterprise will be expected to generate enough revenue to break-even, in otherwords cover its operating cost. The government shall however consider giving them capital grants to finance their capital – intensive projects.

While an enterprise designated for "full commercialisation ", on the otherhand, will be expected to operate profitably i.e on a commercial basis and also be able to raise funds from the capital market without government guarantee (this is the main focus of this research, i.e ascertaining the extent of realisation of this singular objective of commercialisation policy). It is expected that the private sector procedures and principles will be adopted by the fully commercialised enterprise in the running of its daily business within the confines of general regulatory power of the Federal Government. Hence they can for instance;

- a* Fix rates price and charges for goods and services they provide.
- c* Capitalize their assets, and
- d* Sue and be sued in their corporate names.

Below is a table of all Government parastatals listed for both partial and full commercialisation with the exception of 4 enterprises. These are Ajaokuta Steel Company Limited, Associated Ore Mining Company Limited; Delta Steel Company Limited , and the African Re- Insurance Corporation. They are listed with respect to the degree of the proposed commercialisation

<u>ENTERPRISE</u>	<u>NO OF COMPANIES</u>	<u>TYPE</u>
Nigerian Railway Corporations	1	Partial
Nigerian Airports Authority (Now Federal Airports Authority of Nigeria – FAN)	1	Partial
Nigerian Security Printing and Minting Company Limited	1	Partial
National Provident Fund	1	Partial
Ajaokuta Steel Company Limited	1	Partial
Delta State Company Limited	1	Partial
Nigerian Machines Tool Limited	1	Partial
Federal Housing Authority	1	Partial
River Basin Development Authority	11	Partial
Kainji Lake National Park	1	Partial
Federal Radio Corporation	1	Partial
Nigerian Television Authority	1	partial
News Agency of Nigeria	1	Partial
Nigerian National Petroleum Corporation	1	Full
National Telecommunication Limited	1	Full
Associated Ore Mining Company Limited	1	Full
Nigerian Coal Corporation	1	Full
National Insurance Corporation of Nigeria	1	Full
Nigerian Properties Limited	1	Full
Tafawa Balewa Square Management Committee	1	Full
Nigerian Ports Authority	1	Full
Africa Re- Insurance Corporation	1	Full
TOTAL No. OF ENTERPRISES TO BE COMMERCIALISED	35	

2.3.2 THE OBJECTIVES OF COMMERCIALISATION POLICY

The policy was developed purposely to achieve certain objectives that affect both management, employees and consumers /customers of such enterprises. These objectives include:

- (a) To restructure and rationalize public enterprises to ensure an effective and cost conscious, and goal-oriented management and staff whose future is linked with the fortunes of the organization they operates
- (b) Undertaking a comprehensive review of the accounting and management information system of the enterprises with a view to installing and maintaining modern and effective accounting systems which will produce promptly the necessary data for monitoring their financial and operational performance . To this extent NITEL designed and is about to implement a set of new accounting systems. (See NITEL News Vol. 8 No 84 , May 1998).
- (c) It is geared toward re- orienting the enterprises for commercialisation towards a new horizon of performance, improvement, viability and overall efficiency through the enforcement of strict commercial principles and practices.
- (d) Finally, the policy wants to check the present absolute dependence by otherwise commercially viable enterprises on the treasury for funding through encouraging them to approach a realistic capital market without government guarantees.

2.3.3 PRECEDURE FOR ORDERLY COMMERCIALISATION

One of the major problems which had plagued past attempts by this county to reform its public enterprises is lack of vigorous pursuance or implementation of such corrective measures. The Babangida regime is however , not taking any chances in its

reforms and thus set up the TCPC (Now Bureau for Public Enterprises- BPE-) and its sub-committees to ensure the vigorous and full implementation of the commercialisation package. The TCPC /BPE and its sub-committees was charged with this task (see TCPC *ibid*).

A six month period referred to as transition period was proposed to systematise the commercialisation process which involves a number of preparatory task.

These include some of the following:

- *Updating of annual accounts and reports;*
- *Revaluation of assets where necessary;*
- *Improvement in Management Information Systems at the enterprise level;*
- *Financial restructuring to prepare the enterprise for market reception;*
- *Repair and rehabilitation of enterprise facilities to put them in good working condition;*
- *Debt resolution and settlement;*
- *Funding arrangement review;*
- *Design of reporting system to meet internal, external and other obligations;*
- *Any other structural changes necessary to prepare the enterprise for operation on proper business line.*

The implementation committee is intended to identify those areas in which some detailed work is necessary by any professional group and recommend to TCPC/BPE who in turn will arrange to make the appointment if necessary.

Finally, there exist a kind of performance contract between the management of the enterprises so revamped guaranteeing the attainment of certain stated levels of financial, operating , and management performance on the ground that government grants;

- a Adequate operational autonomy , and*
- b Adequate resources.*

This performance contract will sort of usher in or lead to the era of commercialization in each of the affected enterprise. The take-off date for all affected parastatals is 1st January 1990. However, until date the commercialization is yet to be fully implemented (see the Nigerian Economy Vol 4 No 16: May 13, 1991 p17)

2.3.4 COMMERCIALISATION POLICY AS IMPLEMENTED

Although commercialisation policy is yet to be fully implemented, the promulgation of its decree has nonetheless enabled the implementation of some aspects of this policy at the enterprise level. The result was that some public enterprises raised their user charges and tariffs for the various services they rendered to enable self financing and self accounting in anticipation of their autonomy from the Federal Government. For example, NEPA proposed an increase of about 400% over its 6 Kobo per kwh charges. Its argument was that in other West African sub region electricity tariff cost higher. That while in Benin Republic and Burkina Faso, a unit electricity in 1987 cost 64 Kobo 88 Kobo respectively, in Nigeria it costs only 6 Kobo /unit. Whereas in Ivory Coast it is 56 Kobo, Cameroun 40 Kobo and 60 Kobo in Guinea (Ayodele, 1987).

More enterprises like Nigerian Airport Authority /Federal Airport Authority (FAAN) and Nigerian Railway Corporation (NRC) based on similar perception of commercialisation policy raised their rates by 100% and 50% respectively in October, 1987 (Ayodele Ibid). This increase was in addition to an initial increase of about 60% on the 1986 fares charged by NAA (FAAN). Other enterprises too including NIPOST, NNPC, NITEL and Water Corporations have at various and different occasions increased prices and charges as a mark of preparedness to be commercialised. In fact there are moves by others to further increase their prices and charges as recent development

have indicated. Nigerian Ports Authority (NPA) in February 1991 issued a circular to its staff notifying them of the authority's decision to commence its commercialisation exercise from 1st of March 1991. It further increased its work time which is now from 8.am to 5 pm (see Nigerian Economist opcit).

A recent development however is the pronouncement of the Federal Government to privatise some of the public corporations already commercialised or listed for commercialisation . For instance the Ministry of Communication recently set up a panel to work on the privatisation of NITEL, while its (NITE)L accounts is to be audited in readiness for the exercise (see Daily Times February 18, 1998 p3). Other corporations slated for privatisation along side NITEL include NEPA, NAFCON , Federal Superphosphate Fertilizer Company and the Refineries. About 40 per cent of Government holding i.e ownership in these enterprises is expected to be handed over to qualified technical and financial partners (see Thisday , August 30, 1998:5).

2.4.1 THE NIGERIAN CAPITAL MARKET AT A GLANCE

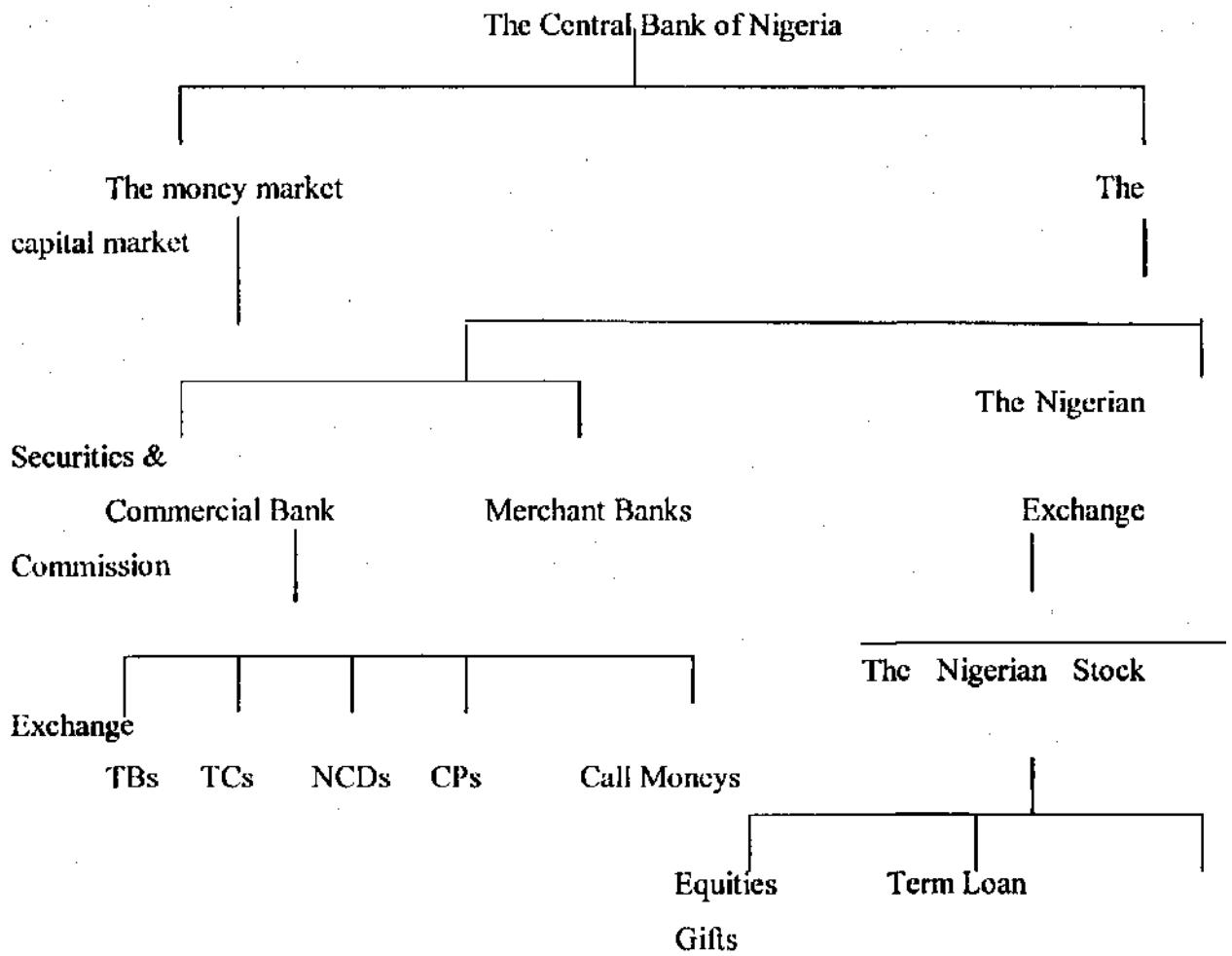
The Nigeria **Capital Market** is one of the three basic market found in the Nigerian Financial Market. The others are the **Money Market** and the **Medium Term Market**. We shall focus attention on the capital market since it forms the central point of the study. A market in common usage refers to a means by which buyers and sellers come together to aid the transfer of goods and service with communication playing a very important role.

Technically speaking, however, financial markets (capital market inclusively) are specially forms of markets where securities are traded on regular basis. Such markets play a very important role in the development of any economic system in the world. In

particular the Nigeria capital market can be described as comprising the entire financial system that offers long term fund needed for financing not only business and other economic institutions but the programmes of government as a whole (Osaze and Anao,1990 p189). The market especially deals in long term securities i.e stocks, debentures and bonds with a tenor above 5 years.

The Nigerian capital market comprise several financial institutions (e.g Merchant Banks, Development Banks, Commercial Banks, and Insurance and Pension Funds),while the Nigerian Securities and Exchange Commission as well as the Nigerian Stock Exchange are considered regulators of the market .(Osaze and Anao,ibid). Below is a chart that depicts the capital market as found in Nigeria.

THE NIGERIAN FINANCIAL SYSTEM



Source: OSAZE, E.B. The capital Market; Its Nature and Operational Character (1991 p1).

2.4.2 CHARACTERISTICS OF NIGERIAN CAPITAL MARKET

The distinguishing character of Nigerian capital market when compared to other forms of market include:

1. **INSTRUMENTS:** Equities, debts and quasi – debts like preference shares, loans or debenture stock and convertible bonds bonus shares warrants are some of the instruments.
2. **TENOR:** Tenor of capital market instruments ranges from five (5) to twenty- five (25) years before final maturity. The tenor of capital market is in fact the longest , equity stock, however, has no specific or determined tenor.
- 3 **COUPON RATE:** This refers to the rate of interest charged on loan. In the past it use to be fixed , we also have fluctuating rate which fluctuates with the fortunes of the company issuing the bond.

2.4.3 BASIC FUNCTIONS OF THE CAPITAL MARKET

- 1 It serves as a converging point between the suppliers and users of funds
- 2 It serves as a place for pricing of securities. That is, it provides easy accessibility and permanent means whereby investors can buy and sell securities efficiently and at minimum cost
- 3 It provides a market for secondary securities
- 4 It helps financial system to allocate funds in the most efficient manner among competing alternatives uses.
- 5 The existence of the Nigerian capital market encourages wider distribution of primary securities issues.

- 6 Finally, but certainly not the least , the capital market offers enterprises new and wider opportunities of obtaining the financial resources they need for expansion and efficient operation

2.4.4 ROLE OF NIGERIAN CAPITAL MARKET TOWARDS PROMOTING BUSINESS AND THE ECONOMY

The role played by Nigerian capital market towards promoting business and economic activities generally in Nigeria , was summed up by Osaze when he listed the various ways the capital market currently aids business and the economy as viz. (Osaze, 1991p3):

1. Through the Second – tier Securities Market by promoting the bonification of the domestic national debt by promoting a bonds market to specifically cater for domestic national debts.
2. Equally referred to as securitisation which makes the debts negotiable and discountable via the Central Bank of Nigeria to provide liquidity to lenders who would wish to encash their bonds.
3. Through financing down stream activities in the oil and gas industry-specifically hydrocarbons (petrochemicals and liquefied natural gas).
4. Through the privatisation and commercialisation of government controlled enterprises through offer for- sale /subscription on the capital market based on Decree 25 of 1998.
5. Through the internationalisation of the capital market by daily beaming worldwide via link – up of the stock exchange’s computer to the Reuters International Communication Network, of the names , share prices and other

financial information of all quoted companies on the Exchange. This encourages foreign inflow of capital via enquiries (Alile, 1998)

2.4.5 FINANCING OPTIONS AND FACILITIES AVAILABLE TO NITEL AT THE NIGERIAN CAPITAL MARKET.

The Nigerian Telecommunication Limited can enjoy the following service from the capital market:

- i Mergers and acquisitions*
- ii Portfolio management*
- iii Debentures and equity placements*
- iv Warehousing of undersubscribed shares and stock*

It suffice to give a brief description of what is meant by the three financing options NITEL could use and benefit from the Nigerian Capital Market . These are (see Osaze 1991:169-176):

- *Loan syndication*
- *Going public /Equity placement*
- *Private placement / Debentures*

a LOAN SYNDICATION

This refers to a situation whereby an organisation's funding requirement to finance and execute capital projects is being met by a consortium or syndicate of banks (i.e more than one bank) owing to the huge amount of money involved. Usually, the amount involved exceed

= N= 10, million which makes it difficult for a single bank to raise. A bank or two usually coordinate , facilitate and manage the credit involving a single borrower. A single loan document governs the entire facility even though many banks are involved.

Loan syndication is not without charges, these include for instance:- Interest on loan , commitment fee, Agency fee, Management fee etc . These charges notwithstanding, loan syndication ensures

- i Enhancement of investment and the economy's productive capacity
- ii Reduction of project failure rate
- iii Enhances the quality and efficiency of the intermediation process.

Nationa

- v The spreading of lending risk among several participating banks (leaders)

b GOING PUBLIC

Another alternative open to NITEL is "going public" also know as "Equity placement". This will mean NITEL's transformation to public liability company (PLC) with a minimum of seven (7) shareholders. This it can achieved by selling shares. Infact this is what is being agitated through the call to privatise NITEL and other public corporations

Going public carries along with it some benefits which among other, include:-

- i Allowing owners to benefit from a more valuable equity position with promises of growth and retention of control over corporation.
- ii Promises the attainment of a higher long-term price than those selling to a single buyer.
- iii The need for a working capital encourages NITEL to go public

- iv Additional capital for expansion or retire a debt can be obtained
- v Equally interesting is that going public ensures the perpetuity of the company after the demise of the original owners.
- vi It further broadens the capital base of an organization , hence creating access to bank lines of credit and other institutional longer term borrowings.

c PRIVATE PLACEMENTS

This option is usually chosen when a company is in dire need of finance and considers the cost of obtaining the earlier discussed alternative as high. Private placement provides an attractive and accelerated financing alternative to public offerings savings a number of charges/fee. Analysts equally consider it as a practice field for going public. Such placement, which include shares, notes, debenture and other securities, sales at lower prices than when placed publicly (i.e public offerings).

Private placement are mostly used for

- Turning a company around
- Raising of fund for special purpose e.g takeovers, merger or acquisition

Conclusively, NITEL and indeed any other commercialised / privatised public corporation has some benefits to reap from or through the capital market given proper government backing. General Management GM with their various portfolios.

However it should be noted that one General Manager in charge of legal and Secretarial matters and three other Deputy General Managers in charge of Internal Audit; Public Relations and Corporate Affairs and Management Information System & Data processing are directly responsible or answerable to the Chief Executive. This is in contrast to the other GMs and DGMs who are first answerable to the Eds. This is not

unconnected with the nature and sensitiveness of these units. Below is NITEL's organization chart.

3.4 ORGANIZATION CHART OF NITEL

From the chart above you will discover that ED Long Distance has three GMs under him namely GM Long Distance Communication, GM Internal and GM Network Planning . While the ED Planning and Operations has GM Planning and Development; GM Operations and GM Project Implementation and Monitoring under his control . Executive Director Finance and Investment equally controls three GMs responsible for Investment & Treasury, Finance & Accounts and Budgetary, Purchasing, Stores and Cost Account. The ED Administration and Corporate has much larger GMs, about four various heading: Transport, Estate Management, and Maintenance; Medical and industrial Services; Personnel Training and Manpower Development, and Purchasing & Supplying. Last but not the least we have Executive Director Zonal Administration who has the highest number of General Managers under him in charge of various zones. He controls about six GMs heading Lagos zone; North – East Zone, North- West Zone , South – East Zone, South -West Zone and Central Zone.

It should be added here that the territories are headed by Territorial Managers (TMs) who are responsible to their respective Zonal General Managers. TMs have subordinates such as Senior Managers, Managers etc who coordinate the activities of their respective sections/units and report to the GMs.

By and large, NITEL is structured on a tri-partite basis i.e the Headquarters, the Zones and the Territories.

CHAPTER THREE
HISTORICAL BACKGROUND OF NIGERIAN
TELECOMMUNICATIONS LIMITED (NITEL)

3.1 ESTABLISHMENT OF NITEL

Nigerian Telecommunications Limited is a limited liability company which came into being on 1st January, 1985 as a result of a merger of two sister Telecommunications outfits, Nigerian External Telecommunication (N.E.T) Limited and Post and Telecommunication (P&T) department.

Prior to the merger, the Nigerian External Telecommunications Limited takes care of the external telecommunication services while the Post and Telecommunication (P&T) was in charge of the Postages and Telecommunications services within the country (i.e internal).

The origin of Nigerian External Telecommunication (NET) Limited dates back to 1886, when the first direct telegraph services between Lagos and London was operated through submarine cable by the African Direct Telegraphy Company with other International Telecommunications outfits gave birth to the Imperial and International Communications Limited London. Soon after that, the Imperial and International Communication (I&I C) Limited changed the name to Cable and Wireless Limited which was responsible for Nigerian External Telecommunication Services throughout the pre-independence years.

On the attainment of self rule (independence), coupled with Government awareness of the paramount role telecommunications play in the national development, the Nigerian government decided to team up with Cable and Wireless to form the Nigerian External Telecommunications (N.E.T) Limited.

Thus, in December, 1963, the Company became known as Nigerian External Telecommunications Limited with government Equity Share of 51% and the remaining 49% being held by Cable and Wireless. Still pressing for total control of External Telecommunications Services, the government acquired the 49% Shares held by Cable and Wireless (C & W) and consequently, Nigerian External Telecommunications (NET) Limited became fully owned by the Federal Government of Nigerian, with effect from **OCTOBER 1st 1972.**

Since then Nigerian External Telecommunications Limited has taken giant strides towards improving and expanding external telecommunication services in order to stimulate rapid industrial development and to boost international trade and cooperation between Nigeria and the outside World .

As earlier mentioned, Nigerian Telecommunications Limited was formerly constituted on **January 1st 1985** as a result of the merger of internal and external telecommunication services. The reasons for the merger were basically the compatibility of services and equipment and the streamlining of activities of both Organisations (NET and & P & T). It was envisaged that Nigerian Telecommunications Limited (NITEL) will definitely create harmonization and complementarily of services, which until the merger, were handled by N.E.T Limited (external) and P&T (internal).

In a nutshell, NITEL was formed basically to improve the effectiveness and efficiency of providing telecommunication services (both internal and external) to reduce cost. Since its inception, a lot of activities have taken place and are still taking place in order to achieve the desired objectives/goals.

Nigerian Telecommunications Limited as a whole comprises of six (6) Zones and thirty nine (39) Territories in the whole Federation. It has its headquarters at Abuja the Federal Capital Territory (FCT).

- The Zones are:-
- (1) **Lagos Zone**
 - (2) **North – East Zone – Bauchi**
 - (3) **North – West Zone – Kaduna**
 - (4) **South – East Zone – Enugu**
 - (5) **South – West Zone – Ibadan**
 - (6) **Central Zone – Abuja.**

The North - West Zone is responsible for the provision of Telecommunications services to some states in the Northern part of the Country. The staff strength of North - West Zone stood at 1278 as at the end of September, 1998 in the following distributions :-

Zonal Headquarters Kaduna	- 219
Kaduna Territory	- 410
Kano Territory	- 280
Sokoto Territory	- 93
Katsina Territory	- 97
Jigawa Territory	- 64
Kebbi Territory	- 57
Zamfara Territory	- 58
Total	1,278

Each Zone is headed by a Central Manager while the Territories are being manned by Territorial Managers.

3.2 THE ROLE AND TYPES OF SERVICES PROVIDED BY NITEL

Nigerian Telecommunications Limited provides three (3) basic telecommunication services all over the Country. These are TELEPHONE, TELEX/FAX and TELEGRAPH. It also provides other specialised services e.g. International Direct Dialing – IDD, Private Lease Telephone and Telex Satellite Mobil Communication (INMARSAT), Electronic Mail, Data Switching system etc, can also be designed and provided to individuals and organisations on request. NITEL also provides a means of Transmission and Reception of Real Time Television for Network.

The role of NITEL to the socio-economic development of Nigeria cannot be over-emphasised. Thus Telecommunication services is a valuable commodity which is beneficial to mankind. Human beings are continuously creating new means of making life easier. In this endeavour, the exchange of ideas and all forms of information between persons, communities, Countries, Continents and even planets have propelled Telecommunications into what is referred to as “The Global Village”. Numerous benefits such as Financial, Medical, Agricultural, Military, Culture etc can be derived through the Telecommunication Phenomena which is the responsibility of NITEL.

Though there has been a lot of criticism for NITEL’s inability to meet up with the increasing demand of its customers nationwide, this was not unconnected with the problems encountered as a result of the merger, environmental constraints and other infrastrutural facilities coupled with the costly equipment used by the organisation, 90% of which are imported . However, there seems to be an improvement on the situation with the commissioning cutover of a number of Digital Exchange and other re-organisations.

3.3 ORGANISATIONAL STRUCTURE OF NITEL

The organisation is being headed by a Managing Director (MD) who equally is the Chief Executive and member of the Board of Directors. The MD is assisted by Five Executive Directors (ED) incharge of long distance Communication; planning operations; Finance & Investment; Administration & Corporate and Zonal Administration. Under each of these ED's we have a number of General Managers (GM) with their various portfolios.

However, it should be noted that one General Manager incharge of legal and Secretarial matters and three other Deputy General Manager in charge of Internal audit; Public Relations and Cooperate Affairs and Management Information System and Data processing are directly responsible or answerable to the Chief Executive. This is against the other GMs and DGMs who are first answerable to the Eds. This is not unconnected with the nature and sensitiveness of these units. Below is NITEL's organisational chart.

3.4 ORGANISATION CHART OF NITEL

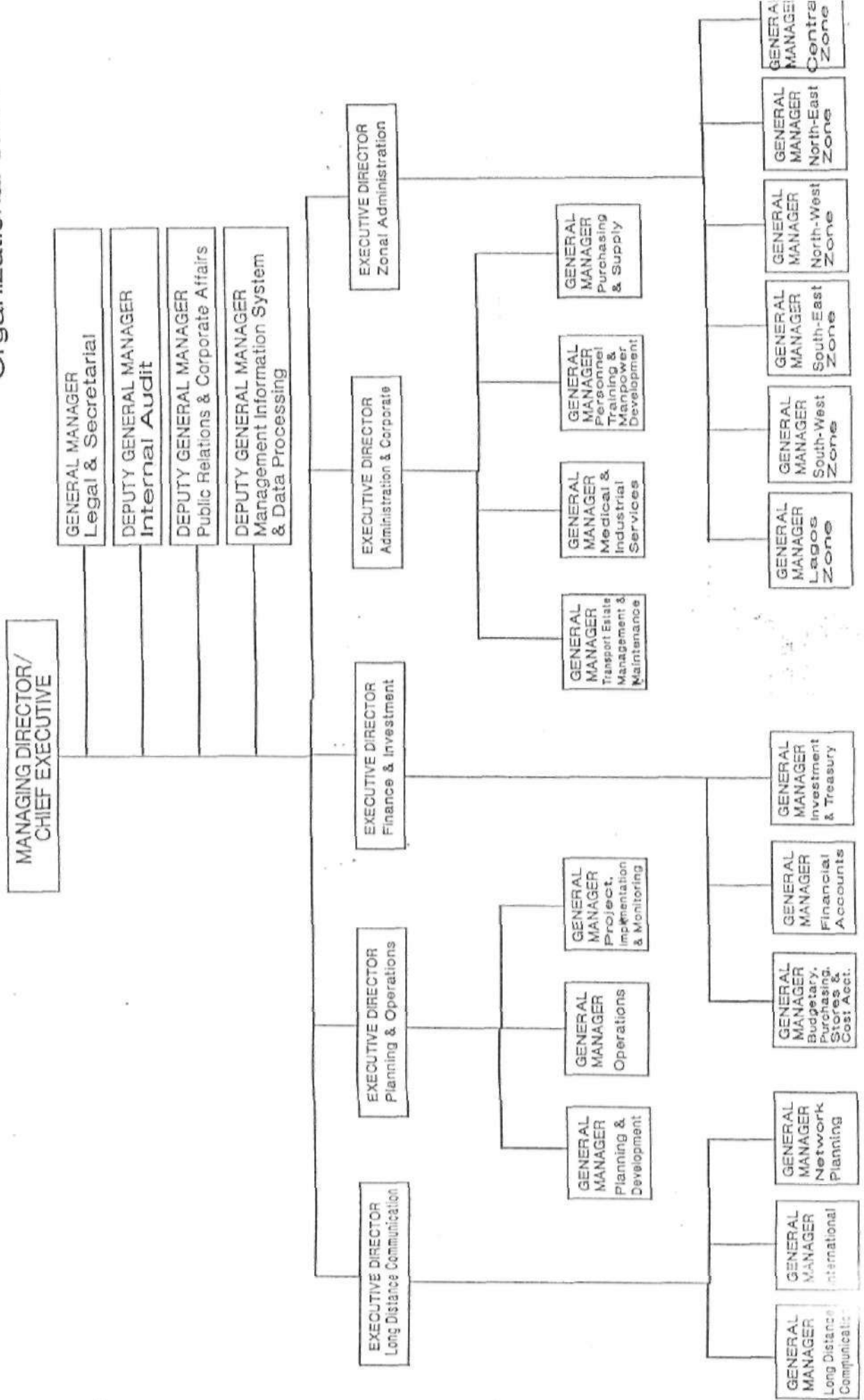
From the chart above you will discover that ED long distance has three GMs under him namely; GM Long Distance Communication, GM Internal and Network planning. While the ED planning and operations has GM planning and Development; GM operations and GM project implementation and Monitoring under his control. Executive Director finance and Investment equally controls three GMs responsible for Investment & Treasury, Finance & Accounts and Budgetary, Purchasing, Stores and cost Account. The ED Administration and Corporate has much larger GMs, about four various heading: Transport, Estate Management and maintenance; Medical and Industrial Service; Personnel Training and Manpower Development and Purchasing & Supplying. Last but

not the least we have Executive Director Zonal Administration who has the highest number of General Managers under him incharge of various Zones. He controls about six GMs heading Logos Zone; North-East Zone and Central Zone

It should be added here that the territories are headed by Territorial Managers (TM) who are responsible to their respective Zonal General Managers. Tms have subordinate such Senior Managers, Managers etc who coordinate the activities of their respective sections/units and report to the Gms.

By and large, NITEL is structured on a tri-partite basis i.e the Headquarters, the Zones and the Territories.

Nigerian Telecommunications Limited Organizational Chart



CHAPTER FOUR

DATE PRESENTATION AND ANALYSIS

4.1 BRIEF OUT LINE OF THE CHAPTER

In this chapter the result of various interviews conducted with NITEL staff and officials and questionnaires administered as well as documents, NITEL Journals, Magazines, Dailies, consulted were presented and analysed. This is to enable a valid and authentic assessment of the hypothesis

One set of questionnaires was administered, in all fifty (50) questionnaire were distributed and forty eight (48) responded to while the remaining two (2) were not returned.

Accordingly the 48 that were returned and correctly responded to by officials viz- a viz interviews and documents/journals /dailies consulted constitute the data base.

4.1 ANALYSIS OF NITEL'S ABILITY TO SURVIVE ON INTERNALLY GENERATED REVENUE

The Technical Committee on Privatisation and Commercialisation (TCPC) reforms of 1992 transformed NITEL into a fully commercialised organisation (with shares completely owned by the Federal Government) expected to operate and provide services profitably. This is to be achieved through the application of the basic principles and procedure of the private sector in the running of its daily operations. NITEL was thus, for instance to fix rates, prices and charges for goods and services it provides in order to, not only break – even and operate profitable, but also survive without recourse to either grants or subventions from the government.

In response to question 3 the questionnaire, forty - two (42) respondents representing about 85.5 percent agreed that NITEL has witness and increase in its revenue generation, while the remaining six (6) respondents representing 12.5 percent of the sample population disagreed. They opined that the organisation has not witness increase in revenue generation .

Information available to the research reveals that NITEL has witness a progressive generation and collection of revenue since 1989. For instance with an asset base of N1.5 billion NITEL has a total exchange installed capacity of nearly 4000,000 telephone lines and 12,692 telex lines from which it generated a total turnover of N296 million in 1990 (see NITEL journal June 1990 P.3). Currently however, the total asset base of NITEL has increased substantially and so is its exchange installed capacity to about 766,000 telephone lines, telex/fax and Telegraph. It equally provides other specialised services such as *INTERNET, IDD , Private Leased Telephone and Tele, Satellite Mobile Communication , Interconnectivity services to private Telephone operators (PTOs) etc* which all translate to increased in NITEL's generation capacity .It is indicated that during the year 1985 the installed capacity was increased by over 200% (see Kaduna Polytechnic Bulletin Vol 10 Jan. 1999 P. 15)

If the above is anything to go by, the company especially after its full commercialisation should be witnessing a substantial increase in revenue generation.

**QUESTION 5: HAS THE GOVERNMENT CONTRIBUTED TO THIS
CHANGE IN REVNUE EITHER IN THE FORM OF GRANT
OR SUBVENTIONS?**

TABLE 2

RESPONSE	NUMBER OF RESPONDENTS	PERCENTAGE
YES	4	8
NO	44	92
TOTAL	48	100

SOURCE: RESEARCH QUESTIONNAIRE, 1998

A sizeable number of the respondents, to be precise forty – four (44) constituting 92% of

those contacted answered *NO* to the question as shown on table 2 above. This is an indication that the Federal Government has not contributed in any form (either subvention or grant) to NITEL since it was commercialised in 1992. The remaining 4 respondents who constitute 8 percent, on the other hand, believed that the government has contributed to their revenue generation.

92 percentage of those contacted answered period of time.

QUESTION 9:

WOULD YOU SAY THAT NITEL HAS BEEN:

- (a) Surviving on Government Grants & subvention only
- (b) Surviving on Capital Market Finance only
- (c) Surviving on Internally Generated Revenue only.
- (d) Surviving on A & C only
- (e) Surviving on B & C only
- (f) Surviving on A, B & C.

TABLE 3

RESPONSES	NO OF RES.	PERCENTAGE
Surviving on government grants & subventions only	-	-
Surviving on Capital market finance only	-	-
Surviving revenue only	44	92
Surviving on A & C above only	4	8
Surviving on B & C only	-	-
Surviving on A, B, & C above	-	-
TOTAL	48	100

SOURCE: Research Questionnaire , 1998

As indicated in table 3 above being a response to question 9 of the questionnaire, 92 percent of those contacted are of the view that NITEL has been surviving on internally generated revenue with out recourse to government grants or subvention. The remaining respondents representing 8 percent of the sample population disagreed with the above claim. They argued that NITEL has been surviving on not only internally generated revenue but also on favours from the government . This group represents the 8 percent respondents on whom the researcher earlier remarked while commenting on table 2 above. It should be noted that an observation was made on the likely reason why they hold that opinion as revealed below.

A careful perusal of speeches made by top government dignitaries as well as documentary materials revealed that presently NITEL is fully commercialised with the complete removal of subsidy and does not enjoy government subvention of what ever kind. NITEL invariably sources and finances its operations on internally generated

revenue. Only just four years ago in (1995) that the Military Government headed by Late Sani Abacha, sponsored a project payable as loan within a given period. This was revealed by a staff of NITEL who begged for anonymity.

Supporting the above argument however is Major General Aziza the then minister of communications who stated that NITEL had just spent funds in excess of N100 billion on projects execution in the last five years (see NITEL journal June 1998 p22). He remarked that projects inter alia, include the Kaduna satellite gateway and ITSC and two others of its kind at Lagos and

Supporting the above argument however is major General Aziza the then minister of communication who stated that NITEL had just funds in excess of N100 billion on projects execution in the last years (see NITEL journal june 1998 P. 22). He remarked that these projects inter alia, include the Kaduna digital satellite gateway and ITSC and two others of its kind at Lagos and were financed through NITEL's internally generated revenue.

Equally, the late Head of State , General Abacha in another instance (at the launching of Kaduna digital satellite gateway) supported the above argument when he stated that "..... Equally gratifying is the fact that all the projects I have enumerated are being financed by NITEL @ a advantageous rate of exchange and this is without violating the Government's foreign exchange policy". (Sec NITEL Journal June 1998 P. 22)

Further more, NITEL has also made substantial efforts in staff welfare matters, using internally generated revenue. For instance it increased its staff bus fleet to a total number of 162 buses while staff remuneration was equally revised upward . The company further embarked on staff housing project in Abuja, the Federal Capital, where the first phase of the project , 60 flats (of 3 bedrooms each) and other conveniences is estimated to gulp the sum of N564.2 million (see NITEL Journal of June 1998).

Indeed NITEL's effort to have survived this far on internally generated revenue alone is quite commendable, as it has actually challenged the widely held opinion that public parastatals are the conduit pipes where the government treasury is constantly being syphoned . This has established NITEL as a company that is financially self sufficient to expand and modernise its network and facilities o be able to carry whatever traffic is generated in the industry (i.e from both NITEL 's network and the network of the private operators).

Alas, this financial self sufficiency is, however, not to last because of the new economic policy measure adopted by the military administration led by General Abdulsalam. The Federal Government in that policy which recently lifted the five year old embargo placed on external loans in the 1999 national budget. This singular act of lifting the embargo may drive NITEL to go for external loans to enable it complete some of its abandoned projects and pursue aggressive refurbishment of its obsolete equipment as claimed NITEL Chief Executive. (See Vanguard Jan 13 , 1999 p. 13).

The embargo which came into effect in 1994 was placed on external borrowing particularly with respect to concessionary and project tied loans and credits. Thus the embargo automatically incapacitated NITEL to sought and negotiate for external loans, hence its reliance on internally generated revenue to expand and modernise its network. This equally explains why a number of projects were frustrated and abounded because the external multilateral loans like .

- *The \$225 million World Bank loan for the expansion and modernisation of Logos network , and*
- *The \$171 million Japanese Overseas Development Fund (OECF) for the expansion and digitalization of Eastern Network were all cancelled (see vanguard Wed Jan 13 1999)*

With these projects at the back drop and the lifting of this embargo, NITEL, is widely expected shall sought for and approach a number of multilateral financial agencies and telecommunication services providers for financing, thus, bringing to an end reliance on internally generated fund only.

4.2 ANALYSIS OF NITEL'S EFFORT TO RAISE FUND THROUGH THE NIGERIAN CAPITAL MARKET.

Research findings revealed that the raising of fund through the Nigerian capital market as appropriately referred to "CAPITAL MARKET FINANCING (CMF) is only applicable to privatised corporations. This was realised in an interview with the manager in New- Devco Limited one of the capital market operators/brokers. To this end, NITEL is yet to be privatised as clearly depicted in table 4 below.

QUESTION 1: HAS NITEL ACTUALLY BEEN PRIVATISED AS CONTINUALLY STATED IN SOME OF THE PRECEEDING NATIONAL BUDGETS?

TABLE 4

RESPONSE	NUMBER OF RESPONDENTS	PERCENTAGE
YES	-	-
NO	48	100
TOTAL	48	100

SOURCES: Research Questionnaire , 1998

As shown on table 4 above , the entire 48 respondents representing 100 percent of the sample population unanimously answered *NO* to question 1 above which is the first in the questionnaire. This revealed that contrary to its continual pronouncement to privatise NITEL, the government has failed to do so.

That although speeches by top government functionaries and NITEL executive at various times in the last few years made the public to believe that NITEL is to be privatised, this is yet to implemented owing largely to some things which have to be put in place. For instance General Abdulsalm in his *State of the Nation address* last year reiterated government intention to privatise NITEL when he stated that" Accordingly government will explore the possibility of handing over the management, control and dispose of 40 percent of ownership of NEPA, NITEL, NAFCON, Federal Superphosphate Fertilizer Company and the Refineries to qualified technical and financial partners"(see Thisday, August 30 1998 p. 5).

It is in line with similar pronouncement that in February 1998, the then Communication Minister set-up a committee to workout modalities for the privatisation of NITEL, while its accounts was to be audited in readiness for the exercise. (See Daily Times Wednesday Feb 18 1998 p. 3)

Towards the last quarter of 1998 the Federal Government through BPE advertised for the privatisation of its public enterprises where the government would sell off 40 percent shares of each of the enterprises slated for privatisation to qualified technical and financial partner, 20 percent will be sold to the general public at a later date, while it intends to retain the remaining 40 percent.

International Finance Corporation (IFC), the commercial arm of the World Bank approved by the Federal Government to serve as technical advisers to the Bureau for Public Enterprises on the 37 public enterprises slated for privatisation.

In particular Solomon Smith, Barney and Citibank were considered and given approval to work on NITEL. (See Thisday, Feb. 22, 1999. pp1 & 2)

The technical advisers in the first phase are to undertake the necessary studies that would determine the financial, operational and marketing performance and viability of NITEL. They are expected to also develop indicative structure valuations, and options for the sale of the affected assets.

The second phase of the programme which commenced in October 1998 saw about five enterprises, NITEL inclusive being advertised in major local newspapers and on the internet. The technical advisers in this exercise were expected to complete documentation on assets to be sold to potential bidders and prepare marketing plan relating the sale of NITEL.

Lastly the final phase is for the technical and financial advisers to assist the bureau in refining and modifying the investor profile and terms and conditions of the sale contract within the shortest time possible (i.e before May 29, 1999) without sacrificing the integrity and thoroughness of the process.

Conclusively one can observe that the earlier reluctance on the part of government to privatise as well as its indecisiveness on the faith of these public enterprises can at best be described as "a cog in the wheel of progress". It has only succeeded these public enterprises to settle down as viable commercialised enterprises and thus deny them the chance to learn fully the skill and strategies for survival in a competitive

private/commercial world. Moreso, it had denied them the so contemplated option of privatisation which could have afforded them the opportunity to enjoy CMF not to mention the various financing options available.

4.3 TESTING OF THE FIRST HYPOTHESIS

Based on the presentation and analysis of data in 4.1 above, our hypothesis that *“public corporations have been able to survive, carry out their operations and provide services to the public without resorting to government grants or subventions”* is **VALID** and hereby **ACCEPTED**.

4.4 TESTING OF THE SECOND HYPOTHESIS

Based on the presentation and analysis of data in 4.2 above, our hypothesis *that “NITEL has been able to obtain finance through the Nigerian capital markets as contained in commercialization policy”* is **INVALID** and hereby **REJECTED**,

CHAPTER FIVE

SUMMARY, CONCLUSION AND RECOMMENDATION

5.1 SUMMARY OF FINDINGS

This research was undertaken to evaluate some of the basic objectives underlining the policy of commercialization and privatization of public enterprises. In particular the researcher attempted an indept analysis on NITEL, one of the fully commercialised public enterprises to determine:

- a Its ability to survive on internally generated revenue without recourse to subventions and grants from government*
- b Its ability to raise fund independently, from the Nigerian capital market without government guarantee*

as were both contained in the commercialisation policy.

To effectively carry out this study not only were interviews and questionnaires designed and administered , but documents, journals, magazines and newspapers were also consulted thus building a broad data base for the purpose.

Guided by the above research instruments, it was discovered that NITEL has neither approached the government for, nor received grants or subventions for the five years. This infact is a tremendous achievement which deserves a commendation . This is not unconnected to the substantial increase in its asset base which witnessed an increase of about 200 percent between the year 1985 to date.

It should however be noted that records and information on NITEL's current turnover and those of the post- commercialisation era were not available to the researcher. They were considered highly classified. Nevertheless judging from the

substantial increase in NITEL's asset base, execution of multi-billion naira projects (from internally generated revenue) which were well in excess of N1 billion and the various staff welfare package implemented as well as improvement in service provision, the researcher deduced that NITE has a positive and tremendous turnover to its credit. Moreover, this points to the fact that NITE's turnover has been on the increase since its full commercialisation in 1992 leading to its financial self sufficiency .

Furthermore, the research data showed that NITEL has not been able to approach the capital market for the much needed CMF required to finance abandoned projects and pursue aggressive refurbishment of obsolete equipment as well modernisation of its operations/ services. These is largely due to the fact CMF is a facility open to the private sector, hence applicable to only privatised enterprises, which NITEL is not. Although there had been, hitherto, pronouncement by the Federal Government over the last few years to privatise NITEL alongside other key public enterprises, it was only recently that the Bureau for Public Enterprises advertised for the sale of NITEL along with four others. It is therefore expected that NITEL will be privatised within the shortest possible time. Until this is done , NITEL cannot approach the Nigerian capital market for CMF.

5.2 CONCLUSION

By and large the analysis has shown that NITEL has benefited from the policy of commercialisation which entrenched financial self sufficiency in its operations. As a result NITEL has been surviving on only internally generated revenue for five good years. For instance it has been able to meet up with both staff remuneration welfare, provide and expand its services, executed projects well over N100 billion without receiving government grants or subvention. It has equally been able to reactivate its

revenue generation capability thereby making itself one of the most viable public enterprises.

Even though it could not approach the capital market for CMF, it nevertheless executed multi-billion naira projects which only tells its strength and ability to survive and make profits not only in a better enabling environment but also a competitive one for that matter.

Commercialisation policy was not without its own attendant problems and consequences. Its major problem lies in the inability of such commercialised enterprise to, despite increase in charges, bills and prices of services/ goods, ensure effective and efficient provision of its operations and services.

Secondly, NITEL customers were over burdened with increase in tariff without adequately reciprocating this in terms of providing telecommunication services effectively and to the generally of the population, considering telephone line population ratio.

Thirdly, with the impending privatisation of NITEL and the deregulation of the telecommunication sector where private telephone operators have a stake there exist the problem of misconception of the role each party is expected to play. Infact the question before the government is "*should NITEL be the only national carrier or are others welcome?*"

Finally, with all the efforts the Federal government has made for the privatisation of NITEL, the sordid and sorry character of Nigerian bourgeoisie in abusing and flaunting rule to the detriment of generality of people immediately comes to mind. The researcher entertains the fear that the 20 percent ownership of NITEL which is to be sold to the general public at a future date stands the risk of being hijacked by the Nigerian "money bags" and top government officials /politicians who have amassed much wealth.

After all this same class of elite are those who refused or see to it that such enterprises failed in achieving their statutory objectives hence metamorphose in to their present predicament.

5.3 RECOMMENDATION

Based on our finding the following recommendations are hereby made:

- 5.3.1** First NITEL should put all hands on deck to ensure that the general public is not only linked to the world but also enjoys such telecommunication facility at a minimum cost and convenience. This can be achieved through meeting up with the minimum standard of telephone to population ratio.
- 5.3.2** Secondly, the Federal Government should clearly define the expected roles each party (NITEL & PTO) should play in the development of telecommunication industry
- 5.3.3** Thirdly, it is strongly advised that such public enterprises be left fully commercialised and not privatised. This is because the enterprises seem to be picking —up and doing well and only require capable hands and committed management team, considering their present performance as commercialised enterprises.
- 5.3.4** Conclusively, if however the Federal Government decided to privatise these public enterprises, they should spell out in clear terms the way and manner the 20 percent ownership of NITEL (which has been reserved for the general public) will be sold to them. This is to avoid money bags and top government functionaries/ politicians from hijacking the process at the expense of the general public

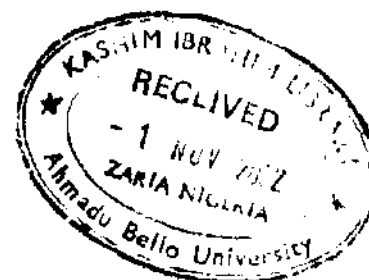
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AHMADU BELLO UNIVERSITY

DEPARTMENT OF BUSINESS ADMINISTRATION

Tel: 069-32734
Telegram: INSTITUTE ZARIA.

INSTITUTE OF ADMINISTRATION
P.M.B. 1013
ZARIA, NIGERIA.

Sole Administrator:-
Major General Mamman Kontagora (Rtd)

Head of Department:-
A.M. Abu-Abdissamad
MBA, B.Ed. (Maths), LDME (A.I.E.U.)



Your Ref: _____


Our Ref: DBA/MBA/EX/11/03A

TO WHOM IT MAY CONCERN

LETTER OF INTRODUCTION

Mai/Mrs/Miss/Mr. MOHAMMED DALA MUSTAFA MUSTAFA, a student of the course work leading to the award of the Degree of Bachelor of Business Administration (BBA) in this University, is currently undertaking a research study entitled "FINANCING COMMERCIALISED PUBLIC CORPORATIONS THROUGH CAPITAL MARKETS: A CASE STUDY OF NITEL". For this purpose, we urge you to assist him with the necessary data and information she requires. The department has given a instruction to the students that data and information so obtained should be kept in strict confidence and should be used only for the purposes of research.

We would be very pleased if permission is granted and the above named student given as much assistance as possible.


MALI SANI A. ABDULLAHI,
Co-ordinator, MBA Programme
For: Head, Department of
Business Administration

COORDINATOR
MBA PROGRAMME
DEPT. OF BUS. ADMIN.
A. S. U. ZARIA

APPENDIX II

Questionnaire

(PLEASE KINDLY TICK or COMMENT AS APPROPRIATE)

1. Has NITEL actually been privatized as continually stated in some of the proceeding of the National budget? Yes No

2. If the answer to the above is YES, for how long has it been privatized.

3. Has NITEL witnessed any appreciable increase in its revenue generation? Yes No

4. What is the current revenue bracket of NITEL? _____

5. If "YES" will you attribute this change in revenue to the Privatisation of NITEL? YES NO

6. Has the Federal Government Contributed to this change in revenue either in the form of grants or subventions? Yes No

7. What are the various sources of raising finance available to NITEL?

- i) _____
- ii) _____
- iii) _____
- iv) _____

8. Has NITEL ever approached the Nigerian Capital Market for raising finance? Yes No

9. Which of the following financing options available did NITEL apply for? _____

Would you say that NITEL has been

- a) surviving on government grants and subventions only
- b) Surviving on capital market finance only
- c) Surviving on internally generated revenue only
- d) Surviving an "a" and "c" above only
- e) Surviving on "b" and "c" above only
- f) Surviving on "a", "b" and "c" above only

Briefly comment on the privatisation of NITEL _____

Thank you for your cooperation.