



THE EFFECT OF PRIVATIZATION ON ORGANIZATIONAL PERFORMANCE OF ABUJA ELECTRICITY DISTRIBUTION COMPANY

Aisha A G. Umar*¹

¹The Abubakar Tatari Ali Polytechnic Bauchi, Nigeria.

ABSTRACT

Power is considered as a major instrument and driver for economic development. A nation that cannot generate enough electricity to power its nascent industries will remain at the fulcrums of economic quagmires. The study is aimed at investigating the effect of privatization on organization performance with a particular reference to Abuja electricity distribution company. The study was conducted on consumers and employees of Abuja electricity distribution Company. A self administered questionnaire was used as a data collection instrument and data collected was analysed using SPSS version 18. The study revealed that Abuja electricity distribution company has not significantly improved power supply to its customers. It was recommended that the management of AEDC should provide their customers with transformers and meters in order to improve the supply of electricity.

INTRODUCTION

Power is considered as one of the major instrument and driver for economic development. A nation that cannot generate enough electricity to power its nascent industries will remain at the fulcrums of economic quagmires (Adedeji, 2017). In Nigeria, successive government over the years has been promulgating myriads of policy options on how to improve the power sector in the country but still yet the country is yet to record significant success in the power sector.

Since 1972 until the early part of 1998, electricity generation, transmission and distribution in Nigeria had been a monopoly of the Federal Government through the then National Electric Power Authority (NEPA). However, a combination of factors such as inadequate funding, institutional corruption, and excessive political interference along with poor managerial and operational strategies implied that electricity supply during the era of NEPA was abysmal (Adoghe, Odigwe, & Igbinovia, 2009). Consequently, the Electric Power Sector Reform (EPSR) Act was signed into law by the Administration of President Olusegun Obasanjo in 2005. The essence of the reform was the liberalization, deregulation and privatization of the nation's power sector in order to stimulate stable and uninterrupted power supply in the country.

In view of the above, Nigeria's power sector privatization program was crystallized in November 2013 with the emergence of one(1) Transmission Company(TRANSCO),Six(6) Generation Companies(GENCOs),and eleven (11) Distribution Companies (DISCO's) (Isa & Peterside, 2014).

The Abuja Electricity Distribution company (AEDC) is one of the eleven privatized distribution companies responsible for supplying electricity to the Federal Capital Territory (FCT) as well as Niger, Kogi and Nassarawa States. According to (KPMG, 2013), a distribution license authorizes the licensee to construct, operate and maintain distribution systems and facilities, including but not limiting to, the following activities as may be specified in the license; the connection of customers for the purpose of receiving electricity and the installation, maintenance and reading of such other distribution service equipment. A distribution licensee also has the obligation to provide electricity to its distribution customers.

The privatization of the power sector particularly the distribution companies who are the frontline service providers raised the hope and expectations of many Nigerians with regards to improvement in operations and service delivery. However four years on and the citizens of Nigeria are still plaque with the problem of frequent power interruption, irregular billing without meter, poor information on tariff increase/adjustment, slow response to fault among other things (Adedeji, 2017). It is against this backdrop that this study is undertaken to evaluate the impact of privatization on the performance of Abuja Electricity Distribution Company specifically the Gwagwalada Area Office with emphasis on service delivery .

LITERATURE REVIEW

Concept of Privatization

The concept of privatization can be defined in different perspective. Ohari and Roth in (Anyebe, 2002) defines privatization as where the control of activity is passed from the public sector by means of an issue of shares. Also (Anyebe, 2002) sees privatization as a reduction, provision, subsidies or regulation, or indeed any combination of the four instruments. The United Nations Development Programme (UNDP) Guidelines on Privatization (1991) defines it as the marketization of the public sector activity that is the subjection of micro-economic decision-making to market forces, since this is a feature of profit-oriented private sector activity.

Furthermore, Section 14, Decree No 25 of 1988 defines privatization as the transfer of government owned shareholding in designated enterprises to private shareholders, comprising individuals and cooperate bodies. (Ezeani, 2006) on his own part defines it as a deliberate government policy of stimulating economic growth and efficiency by reducing state interference and broadening the scope of private sector activity through one or all of the following strategies, transfer of state owned assets to private ownership through the sale of shares, private control or management of state owned assets, encouraging private sector involvement informer public activity, and shifting decision making to agents operating in accordance with market indicators. (Ojobo, 2005) On his part define privatization as the selling of a part or the entire equity of a publicly owned organization to private individuals or organizations such that the control of the public institution is transferred from government or any of its agencies to private hands. (Nwankwo & Richards, 2001) Observed that “the term privatization is hardly amenable to categorically precise definition”. This is because beyond giving it a meaning, a lot of people define it from the context of the purpose it is meant to serve. In other words, privatization could be seen from the perspective of extending the activity of the private sector to provide public services or rolling back the sphere of the public

sector often accused of inefficiency and performance in the delivery of public service. All the definitions above point to the fact that privatization is all about government full or partial withdrawal from economic activities, so as to create an enabling environment for businesses to flourish and for the growth and development of the nation.

Concept of Performance

The concept of performance has gained increasing attention in recent decade, being pervasive in almost all spheres of the human activity and viewed from different perspectives by scholars and researchers. Organizational performance is confounded with notions such as: productivity, efficiency, effectiveness, economy, earning, capacity, competitiveness etc. (Ion & Criveanu, 2006) The performance of an organization is believed to be able to cover broader areas including the connection between performance and organizational goals (effectiveness); organizational resources (efficiency); and, satisfaction of the stakeholders (relevancy) (Jenatabadi, 2013). Performance according to (Lifhack, 2007) is getting the job done *i.e.* producing the results that one aimed at. In the same vein, (Aloa, 2014) describe performance to the accomplishment of a given task measured against preset known standards of accuracy, completeness, cost and speed. According to (Mathias, Fredreck, & Kenneth, 2018) Organizational performance is measured in terms of productivity, sales volume, and efficiency.

Likewise Mihaela, (2012) opines that Organizational performance can be explored or measured from two perspectives: financial and non-financial aspects. For example, a company's performance can be measured base on variables that involved productivity, revenue, growth, service delivery, customer's satisfaction and many more. (Rolstadas, 1998), believes that the performance of an organization is a complex relationship involving seven performance criteria that must be followed: effectiveness, efficiency, quality, productivity, quality of work, innovation and profitability. (Didier, 2002) Sees performance as not just a mere finding of an outcome, but rather it is the result of a comparison of the outcome and the objective. (Neely, 2007) Believe that performance should consider quantifying the efficiency and effectiveness of actions. This quantification can be expressed both qualitatively and quantitatively. From the reviewed literature above, it can be summed up that organizational performance has a major influence on the actions of the management of both private and public organization as it comprises the actual output/results of an organization as measured against its intended goals and objectives.

Privatization and Organizational Performance of AEDC

There are extant literatures that have made efforts to evaluate how privatization has impacted on the performance of the power sector in Nigeria. To begin with; (Isa & Peterside, 2014) discusses the impact of privatization of Power sector in Nigeria using the political economy approach, they argues that the privatization of the Power sector in Nigeria is based on capitalist values, ideology, orientation and assumption. The assumption of free market presupposes that the market operates in a competitive environment. They opine that is not however true in real life situation as power sector privatization in Nigeria has only succeeded in entrusting the collective wealth of the people in the hands of few elites, retrenchment of workers, high electricity bills without commensurate services among other negative impacts.

they therefore recommends that there is need for a level playing field for more competent investors to come into the industry .Also, the regulatory body need to check the excesses of the new Distribution companies by regulating tariffs and quality services. This will go a long way in improving the situation in Nigeria.

(Adedeji, 2017) Examined privatization and performance of Electricity Distribution Companies in Nigeria. He review that privatization of public enterprises is a complex phenomenon as the process is affected by both endogenous and exogenous factors. The authors' further noted that proponents of privatization of public enterprises in developing countries tend to have a linear perspective that it will result in efficiency and improved performance of these firms. However, several studies have shown that this is not always the outcome. He therefore concludes that the outcome was determined more by the form and nature of the government than by the process of privatization.

In their paper titled Privatization of power sector and poverty of power supply in Nigeria: A policy analysis, (Audu, Paul, & Ameh, 2017) critically assesses the challenges facing the power sector reform program in Nigeria, their sourced of data were mainly from secondary sources. Their study reveals that the privatization of the electricity industry in Nigeria is tainted with the challenges of lopsided bidding process which has produced private power firms that are linked to the nation's ruling elite but which lack the capital and cognate experience to effectively run the power sector; exorbitant electricity tariffs in the face of epileptic power supply; and a regulatory agency that is hesitant to apply appropriate sanctions to defaulters in the electricity industry. They therefore concludes that these challenges largely explain why the power sector reform program in Nigeria has not translated to significant improvement in the nation's electricity supply and recommends among others that there should be amendment of the enabling Power Sector Reform Act, 2005 to prevent manipulation in subsequent bidding process, proper scrutiny for cognate experience, technical know-how and financial capacity of prospective power firms in subsequent bidding process.

(Joseph, 2014) Examines the efforts at revamping the sector before privatization/unbundling, with special focus on the issue and challenges that confronts the sector after privatization. He concludes that if these issues are solved and the challenges tackled, then would a solid foundation for actualization of Vision 20:2020 laid for a rapid industrial development that will transform Nigeria to a highly industrialized economy.

Existing Gap in the Literature

As seen from the review of related literatures, several studies has been undertaken on the privatization of the power sector and the performance of electricity distribution companies in Nigeria for example, the study undertaken by(Isa & Peterside, 2014) on the impact of privatization on the power sector in Nigeria using the political approach was focused on the power sector in Nigeria as a whole , while the study by (Adedeji, 2017) examine privatization and the performance of Electricity Distribution Companies in Nigeria without the use of any statistical tool for analysis. (Audu, Paul, & Ameh, 2017) Study was based on secondary data (i.e. no form of primary source of data was use or tested statistically). To the best of the researcher's knowledge, there is no study that was undertaken to evaluate the impact of privatization on the performance of Abuja Electricity Distribution Company particularly

Gwagwalada Area Office. As such, this study will be filling this gap by using both primary and secondary data taking into cognizance measures of performance of AEDC such as service delivery.

METHODOLOGY

The population of the study comprised of staff of Abuja Electricity Distribution Company (AEDC), Gwagwalada Area Office and its electricity consumers. There are 200 staffs and about 30,000 estimated electricity consumers in the study area. Hence, our population of the study stands at 30200. And 395 were considered as sample size in line with Taro Yamane sample size formula. I order to avoid no-response bias, 30 percent was increased as suggested by Salkind (1997) therefore a total of 514 questionnaires were distributed to respondents. A total of 382 questionnaires were used for final analysis in the present study given the response rate of 71%.

DATA PRESENTATION AND ANALYSIS

Table 1: Respondents Distribution

Category of Respondents	Customers		AEDC Staff	
	Freq.	%	Freq.	%
Sex distribution of respondents				
Male	162	43	10	24
Female	220	57	31	76
Total	382	100	121	100
Age Distribution of Respondents				
≤19	7	0	0	0
20-29	43	21	8	20
30-39	187	36	12	29
40-49	145	43	18	44
50-59	0	0	3	7
Total	382	100	121	100
Marital Status of Respondents				
Single	107	36	14	34
Married	230	64	22	54
Divorced	33	0	5	12
Widowed	12	0	0	0
Widower	0	0	0	0
Total	382	100	121	100
Education Qualification				
No Formal Education	7	0	0	0
Primary	127	0	0	0
Secondary	91	21	0	0
Graduate	148	36	31	76
Post-Graduate	9	43	10	24
Total	382	100	121	100
Cadre of Respondents				
Lower Level			45	37
Middle Level			63	52
Management Level			13	11
Total			121	100
Occupation				
Unemployed	66	7		
Self-employed	122	29		
Government Worker	72	7		
Private Employment	122	57		
Retired	0	0		
Total	382	100		

The above table shows the demographic characteristics of the staff of AEDC Gwagwalada Area Office and its customers.

Table 2: Customers Perception with the Operation and Performance of AEDC

S/N	Statement	SA 4	A 3	D 2	SD 1	Total %	Mean	Remarks
1.	There is 12 hours supply of electricity in your area	47 (16%)	56 (19%)	141 (26%)	162 (39%)	382 (100)	2.09	Rejected
2.	Electricity Supply Infrastructure (Transformers and Meters) are adequately supplied in your area.	60 (16%)	72 (19%)	100 (26%)	150 (39%)	382 (100)	2.11	Rejected
3.	There is quick and prompt response to complain	62 (16%)	65 (17%)	150 (39%)	105 (28%)	382 (100)	2.22	Rejected
4.	The quality of electricity is commendable	82 (21%)	50 (13%)	150 (39%)	100 (26%)	382 (100)	2.30	Rejected
5.	The estimated billing is not outrageous	82 (21%)	82 (21%)	100 (26%)	118 (32%)	382 (100)	2.34	Rejected
6.	Your meter does not develop problems frequently	150 (39%)	150 (39%)	52 (13%)	32 (8%)	382 (100)	3.11	Accepted
7.	There is adequate prepaid meters in your area	90 (24%)	110 (29%)	100 (26%)	82 (21%)	382 (100)	2.54	Rejected
8.	There is no rationing of power supply in your area	50 (13%)	60 (16%)	100 (26%)	172 (45%)	382 (100)	1.97	Rejected
9.	Power Supply has generally improved in your area	52 (14%)	50 (13%)	100 (26%)	180 (47%)	382 (100)	1.93	Rejected

Table 2 shows the customers perception about the operations and performance of AEDC Gwagwalada Area Office. Only item 6 reveal that the respondents agreed/accepted that their meter does not develop frequent problems while Items 1 – 9 shows that performance of AEDC is abysmal based on the perception of the respondents.

Table 3: Staff perception on the performance of AEDC

S/N	Statements	SA	A	SD	D	Total	Mean	Remarks
1.	Your Performance in recent time can be said to improve significantly	45 (37%)	39 (32%)	29 (24%)	8 (7%)	121 (100)	3.00	Accepted
2.	You have been operating within the purview of the privatization process	50 (41%)	46 (38%)	5 (4%)	20 (17%)	121 (100)	3.04	Accepted
3.	Your performance conform with the expectation of the end users	43 (36%)	55 (45%)	18 (15%)	5 (4%)	121 (100)	3.12	Accepted
4.	You have adequate power grid to supply to the consumers	11 (9%)	30 (25%)	38 (31%)	42 (35%)	121 (100)	2.08	Rejected
5.	You have electricity infrastructures such as meters and transformers adequately for onward distribution to users	35 (29%)	45 (37%)	25 (21%)	16 (13%)	121 (100)	2.82	Accepted
6.	You have pool and adequate manpower to effectively achieved your mandate	30 (25%)	60 (50%)	10 (8%)	21 (17%)	121 (100)	2.82	Accepted

Table 3 shows the opinion of respondents on the performance of AEDC. The respondents agree to all the statement above except item 4 where the respondents disagree that they have adequate power grid to supply to the consumers

Table 4 Regression Result: Dependent Variable (AEDC Performance)

Variable	Co-efficient	Standard Error	t-Statistic	Probability
C	-0.113	0.078	1.438	0.194
Supply of electricity	-0.010	0.077	-0.125	0.042
Electricity Infrastructure	- 0.329	0.138	-2.386	0.408
R ²	0.60			
Adj. R ²	0.57			
F-statistic	5.465			
Prob. (F-stat.)	0.029			
Durbin-Watson	1.99			

Table 4 above depicts the result of the OLS estimate as specified by the econometric model. The result shows that supply of electricity has a negative and significant impact on the performance of Abuja Electricity Distribution Company (AEDC) Gwagwalada Area Office. It means a percentage increase in low supply of electricity has the potential on the average to bring decrease on the performance of AEDC, while holding others variables constant.

The impact of Electricity infrastructure on the performance of AEDC is also estimated using the regression analysis. As it could be seen in table 4, the average value of electricity infrastructure (- 0.329) would lead to a corresponding unit decrease in the performance of AEDC. This impact is negative and statistically insignificant.

The R-squared is found to be 0.60, this implies that 60% of the total variation in the performance of AEDC was accounted for by the explanatory variables (i.e. Supply of Electricity and Electricity Infrastructure) without considering the degree of freedom. While the Adj. R-squared 0.58, implying that 58% of the total variation in the dependent variable is captured by the regressors taking into consideration the issue of degree of freedom. This implies that the estimated model has a high goodness of fit.

That F-statistic value of 5.465 gives us enough evidence that the parameter estimates of the regressed model are jointly statistically significant. There by validating the R-squared and Adjusted R-squared, this is further affirmed by the very low probability value of f-statistic (i.e. 0.029). Thus, the estimated model is fit for both prediction and forecasting.

The estimated model was found not to have autocorrelation as the DW is 2.00 which is close to 2 as expected. This means that the error terms are not correlated which is in line with the classical assumption for OLS regression.

TEST OF HYPOTHESES ONE

Since supply of electricity has a negative impact on the performance of AEDC and statistically significant, as the estimated t-statistic is less than t- critical value at 5% significant level even in absolute term i.e. $-0.125 < 2.04$. Thus, we accept the null hypothesis that Abuja Electricity Distribution Company (AEDC) Gwagwalada Area Office has not significantly improved power supply to its customers.

TEST OF HYPOTHESIS TWO

The second hypothesis is also tested using the beta coefficient and its associated p-value. Since the beta coefficient is negative (-0.329) and the p-value is greater than $0.05 > 0.408$. Therefore, the null hypothesis was accepted and concludes that Abuja Electricity Distribution Company (AEDC) Gwagwalada Area Office has not significantly improved Electricity Supply Infrastructure to its customers.

DISCUSSION OF FINDINGS

This study was investigated with the aimed of achieving two specific objectives. Firstly, the study examines the extent to which the privatization of Abuja Electricity Distribution Company (AEDC) Gwagwalada Area Office has improved power supply to its customers. Findings emanating from the study reveal that AEDC has not significantly improve power supply to the people in the study area as electricity is not enjoyed for five (5) hour or even less in some cases daily. This finding is in line with the study of (Audu, Paul, & Ameh, 2017) who submits that despite the privatization of the power sector and the subsequent coming of the DISCOs, to takeover distribution of electricity in Nigeria, power supply remains epileptic. They conclude that the power sector reform program in Nigeria has not translated to significant improvement in the nation's electricity supply.

Secondly, the study assessed the extent to which Abuja Electricity Distribution Company (AEDC) Gwagwalada Area Office has improved Electricity Supply Infrastructure to its customers. Findings as revealed by the study shows that AEDC has not significantly improve Electricity Supply Infrastructure to its customers. This could be so as (Omonfoman, 2016) reveal that Network electricity infrastructure is a major challenge affecting the performance of DISCOs as they characterized with overloaded transformers and feeders, obsolete equipment, limited network, lack of automation among others.

CONCLUSION AND RECOMMENDATIONS

Conclusion

This study evaluates the impact of privatization on the performance of Abuja Electricity Distribution Company focusing on Gwagwalada Area Office as a case study and based on findings, this study concludes that the privatization of AEDC has not significantly improve electricity supply as well as Electricity Supply Infrastructures to the unit's customers.

Recommendation

Base on the findings and conclusion, this study recommends the following:

- i. State government should collaborate with the private investors (distribution companies) in their states so as to have the necessary funds needed to ensure stable and uninterrupted electricity supply to customers.
- ii. Transformer and meters should be made available and deplore to high population areas to make power distribution more effective and efficient to end users .This will reduce the problem of low shading and overloading of unit, thus minimizing power interruptions.

REFERENCES

- [1] Adamolekun L. Public Administration:A Nigerian and Comparative Perspective. New york: Longman Inc., 1983.
- [2] Adedeji O. Privatization and Performance of Electricity Distribution Companies in Nigeria. Journal of Public Administration and Governance 2017; 190-203.
- [3] Adoghe A, Odigwe I, Igbinovia S. Power Sector Reform:Effects of Electric Power Supply Reliability and Stability in Nigeria. International Journal of Electrical and Power Engineering 2009; 36-42.
- [4] Aloa A. Enhancing the Performance ofElectricity Distribution Companies in Nigeria Via Internal Control System. Reseach Journal of Finance and Accounting 2014; 197-214.
- [5] Anyebe A. Readings in Development Administration. Zaria: Shereef Salem Press 2002.
- [6] Audu E, Paul S, Ameh E. Privatization of Power Sector and Poverty of Power Supply in Nigeria: A Policy Analysis. International Journal of Development and Sustainability 2017; 1218-1231.
- [7] Brenna G, Buchanan J. The Reason of Rules:Constitutional Political Economy. Cambridge: Cambrige University Press 1985.

- [8] Didier N. Managing Performance. Paris: Insept Consulting 2002.
- [9] Ezeani E. Fundamentals of Public Administration(Revised Edition). Enugu: Zik-Chuks Publishers 2006.
- [10] Ion E, Criveanu M. Organizational Performance-A Concept that Self-Seeks to Find Itself. Academic Brancusi 2006; 197-183.
- [11] Isa A, Peterside Z. The Impact of Privatisation of Power Sector in Nigeria: A Political Approach. Mediterranean Journal of Social Sciences 2014; 111-118.
- [12] Jenatabadi H. Impact of Economic Performance on Organizational Capacity and Capability: A Case Study of Airline Industry. International Journal of Business and Management 2013; 112-119.
- [13] Joseph O. Issues and Challenges in the Privatized Power Sector in Nigeria. Journal of Sustainable Development Studies 2014; 161-174.
- [14] KPMG. A Guide to the Nigerian Sector, 2013. Retrieved October 28, 2018, from [http://www.kpmg.com/Africa/en/issues and insights/Articles Publications](http://www.kpmg.com/Africa/en/issues_and_insights/Articles_Publications)
- [15] Lavoie D. Rivery and Central Planning. Cambridge: University Press 1985.
- [16] Lifehack 2007. Retrieved from <http://www.Lifehack.org/articles/what-is-performance.html>
- [17] Mathias T, Fredreck N, Kenneth G. Organizational Performance and perceptions of Construction Professionals Concerning Skills of Effective Leadership. Journal of Management in Engineering 2018; 61-67.
- [18] Neely A. Business Performance Management: Unifying Theories and Integrating Practice. Cambridge: Cambridge Press 2007.
- [19] Nwankwo S, Richards D. Privatization: The Myth of Free Market Orthodoxy in Sub-Saharan Africa. International Journal of Public Sector Management 2001; 165-179.
- [20] Ojobo J. The Impact of Privatization Policy on Labour in Africa: A Political Economy. The Nigerian Journal of Administrative Studies 2005; 3(1).
- [21] Omonfoman O. Electricity Distribution Companies-The challenges and way forward 2016. Retrieved October 9, 2018, from <http://opinion.premiumtimes.com>
- [22] Rolstadas A. Enterprise Performance Measurement. International Journal of Operations and Productions Management 1998; 9-10.
- [23] Salkind N. @ Research. 3rd ed. Upper Saddle River, NJ: Prentice Hall 1997.