

# POLITICAL CONSIDERATIONS AND PERFORMANCE OF IBADAN AND IKEJA ELECTRICITY DISTRIBUTION COMPANIES IN NIGERIA'S POWER SECTOR REFORMS: AN EMPIRICAL INTERROGATION

Samuel S. Idowu<sup>1\*</sup>, Jide Ibietan<sup>2</sup> and Ayo Olukotun<sup>3</sup>

<sup>1</sup>Covenant University, [sunsamd@yahoo.com](mailto:sunsamd@yahoo.com)

<sup>2</sup>Associate Prof. Dr. Covenant University, [olajide.ibietan@covenantuniversity.edu.ng](mailto:olajide.ibietan@covenantuniversity.edu.ng)

<sup>3</sup>Prof. Olabisi Onabanjo University, [ayo\\_olukotun@yahoo.com](mailto:ayo_olukotun@yahoo.com)

Corresponding Author- [sunsamd@yahoo.com](mailto:sunsamd@yahoo.com)

\*Corresponding Author

## Abstract

Achieving stable electricity power supply has been a problem in Nigeria since independence. The devastating consequences on social life and economic development encouraged the state to embrace privatization as a panacea, and coupled with testimonial of improved performance of power supply from both developed and developing countries experiences. However, since Nigeria's decision to privatize resides with political leadership in the sector laden with interest, to what extent can one posit that political considerations does not interfere with pre-privatization selection process of private ownership and post-privatization management respectively. The uncertainty around this informs this study. This research adopts survey research design using questionnaire to elicit data from residential and commercial customers of Ibadan and Ikeja distribution companies, with Policy Choice theory as its theoretical anchor. Descriptive and multiple regression statistics were employed for the data analysis. The findings show that political interests overshadowed national interest in the selection process of private distribution companies and their post-privatization operations having a negative effect on performance. Thus, we recommend citizens' intensive demand for due process and transparency from policy makers and a more proactive oversight by the legislative arm of government.

**Keywords:** Political Considerations, Performance, Distribution Companies, Power Sector, Reforms.

## 1. INTRODUCTION

Nigeria Electricity Supply Industry (NESI), as observed by Sahara Reporter (2018), is strongly tied to the central government and public officials, and also used to canvass votes every four years. This results in politicization of the sector and zero-sum game by the political elites. Moreover, citizens' demand for stable electricity supply seems heightened and its deleterious effects on the socio-economic condition appear worrisome. This, in part,

motivated the federal government's decision under president Obasanjo in 1999 to create National Electricity Power Authority (NEPA), an inefficient public enterprise operating as monopoly in a non-competitive market for privatization (Adelaja, 2007).

Furthermore, Power Sector Reform Bill (PSRB) was enacted in 2005, enabling the private sector participation in electricity generation, transmission and distribution. While Power Holding Company of Nigeria (PHCN) was incorporated as NEPA's successor, the PSRB also made PHCN to be unbundled into six generation companies (GENCOs), one transmission company (TCN) and eleven distribution companies with Nigeria Electricity Regulatory Commission as the sector regulatory agency (Onagoruwa, 2011). By this act, the sector was deregulated and private operators were engaged to manage both the GENCOs and DISCOs with government retaining 20 and 40 percent shares in both respectively and TCN was placed under management contract.

However, it seems the populace expectations on uninterrupted electricity supply were not met as this still remains part of their daily experience under the private managers in a liberalized environment. As such, observers, across legislative arm of government, civil societies and individuals have raised doubts on technical, management and financial capabilities of new private investors, especially the DISCOs, which were used as criteria in the privatization selection process for the best bidders. This seems to corroborate Enebeli-Uzor's (2013:54) averment that "... beyond the economic efficiency thesis of the free market argument, there are ulterior reasons bordering on politics, ideology and regime survival that are usually behind the economic justifications for the adoption of privatization".

Arising from the above, the social concerns and economic progress often touted as rationale for privatization appears subservient to political interest furthering of the policy makers. Political considerations find expression in private ownership of DISCOs or GENCOs by political elites and their cronies. Hence, the interest of both political class and private investors are preserved under the market economy. In this sense, it is plausible to argue that political maneuvering underline the privatization process of DISCOs in Nigeria, and this circumscribes merit and efficiency. Thus, this work investigates the effect of politicization of the bidding process on the performance of Ibadan and Ikeja electricity distribution companies in the Nigeria under the power sector reform.

## **1.1 Objective of the Study**

The main objective of this study is to investigate the influence of politics on the post-privatisation performance of Ibadan and Ikeja distribution companies (2005-2018). Additionally, this research seeks to

Find out the extent of sincerity and transparency of policy makers in the selection of Ibadan and Ikeja's DISCOs ownership.

## **1.2 Research Hypotheses**

Two hypotheses are stated in null form to test political considerations on the post-privatisation performance of IBEDC and IKEDC.

H<sub>0</sub> Politics of interpersonal relationship does not influence selection of IBEDC and IKEDC

H<sub>0</sub> Policy maker are not sincere in the selection of IBEDC and IKEDC

## **2 LITERATURE REVIEW: POLITICISATION AND PRIVATISATION PROCESS-THE NIGERIA EXPERIENCE**

Politicization of privatization process is mostly reiterated in the literature, but hardly been empirically studied. Though, studies on the post-privatisation performance of electricity sector across countries are well documented in literature, the political intricacies around the privatization process appears not comprehensively investigated.

According Ferreria (2009), privatization in Nigeria is synonymous with sales of national economic assets at cheap prices to politicians' cronies, public officers and supporters of the politicians or the politicians themselves.

This assertion highlights politician's desire to convert public utilities to private advantage or personal socio-economic benefits. In this line of thought, Omoleke and Adesopo (2005) blamed political interference in the privatization process generally on poor leadership the country is blessed with non-committed leadership.

Furthermore, Kalejaiye, Adebayo and Olufemi, (2013) argue with respect to the power sector's privatization that the masses are skeptical about government's sincerity on not selling the utility to corrupt ex-public officials. In this sense, the sincerity of purpose expected from the policy makers is observed in breach and explains doubts expressed by the populace. Put differently, ensuring a level playing ground for potential and real investors which, according to Ochugudu and Onodugo (2013), ought to facilitate service delivery has taken flight.

The above averment appears to be correct going by the current mMinister of Power, Works and Housing, Babatunde Fashola, submission that privatization is a right step but political interference, political dishonesty amongst other factors constrained power sector from yielding positive results (Vanguard, 2017). An acknowledgement of politicization of the sector reforms, in which privatization is central, suggest parochial interest by the politicians and devastating consequences on the sector's performance capacity.

## **2.1 Theoretical Framework: Public Choice Theory**

The adoption of public choice theory for this work is premised on its relevance or applicability to decision making. The theory was postulated by Duncan Black (1940) (Tullock in Rowley, 2004:3) with contributions from Kenneth Arrow, James Buchanan, Gordon Tullock, Anthony Downs, Williams Niskanen amongst others (Williams, 2008:np). Moreover, public choice theory is described to possess varied analytical style, such as rational choice, social choice or positive political economy (Muller cited in Wright, 1993). It implies that the features of rationality, socialism and political-economy are embedded in the theory and portrays the correlation between politics and economics alongside the political leaders making of economic decisions in a polity.

The theory argues that an average human being is egoistic, rational, maximizes utility with these behaviour manifesting as political leaders and bureaucrats aspire to maximize their individual satisfaction (Wright, 1993). In other word, political leaders and bureaucrats, serving as public policy makers, largely considered their personal interest or benefit before arriving at decisions on what is popularly referred to as "Public Policy". In this sense, it suggests that policies emanating from public circle can hardly be divorced from self-interest of the decision makers, and, where such seems to represent that of the populace, it is probably out of sheer coincidence. As such, public decisions are primarily targeted at satisfying decision makers' interest, making secondary that of the citizens they hold the office in trust for. Hence, this indicates that general interest is almost subservient to individual interests in public management.

From the thrust of the theory, one can infer that the government resolution to privatise Ibadan and Ikeja DISCOs might be difficult to diffuse from the preservation of decision maker's interest. While the choice of the private investors are rationalised on the merit of technical, management and financial capacity as articulated in the act stipulating due process, the infiltration of personal interest in the course of implementation, accommodating considerations for cronies or influential classes in the society, violate the spirit of the law that is hardly acknowledged by policy makers. Therefore, can one, with safety, argue that Ibadan and Ikeja distribution companies owners are the best amongst others contenders or bidders for the public asset? Or, has there not been undue interest of policy makers with the private investors prior to and after the privatization process? An affirmative response to these questions would validate this theory and uphold its relevance to this study.

## **3. RESEARCH METHOD**

### **3.1 Research Design:**

The study employs survey research design. It obtained primary data through 4-point Likert-type questionnaire administered on residential and commercial customers of IBEDC and IKEDC customers as respondents.

### **3.2 Population of the Study:**

The population of the study comprises of residential and commercial customers Ibadan and Ikeja electricity distribution companies excluding industrial customers. The total number of both category of customer is 1,595,000 (IBEDC prospectus, 2018), while that of Ikeja is 690,000 (IKEDC prospectus, 2018) amounting to 2,285,00.

### 3.3 Sampling and Sampling Technique:

Krejcie and Morgan's (1970) formula for known population was used to determine the sample for the study. Table 3.1 shows 95% confidence level, a sample size of seven hundred and eighty one is derived at from the population of 2,285,000. However, the sample of Ibadan DISCOs was increased by 30% according to Israel (2013) giving a total of 881.

Also, multi-stage sampling technique, which involved stratified and simple random sampling techniques, was adopted. Stratified sampling was used to categories the population into distribution regions and offices while simple random sampling adopted to determine towns and cities selected for administration of questionnaire. This ensures representation of the population.

**Table 3.1 Determining Sample Size of Known Population**

Table 3.1									
<i>Table for Determining Sample Size of a Known Population</i>									
N	S	N	S	N	S	N	S	N	S
10	10	100	80	280	162	800	260	2800	338
15	14	110	86	290	165	850	265	3000	341
20	19	120	92	300	169	900	269	3500	346
25	24	130	97	320	175	950	274	4000	351
30	28	140	103	340	181	1000	278	4500	354
35	32	150	108	360	186	1100	285	5000	357
40	36	160	113	380	191	1200	291	6000	361
45	40	170	118	400	196	1300	297	7000	364
50	44	180	123	420	201	1400	302	8000	367
55	48	190	127	440	205	1500	306	9000	368
60	52	200	132	460	210	1600	310	10000	370
65	56	210	136	480	214	1700	313	15000	375
70	59	220	140	500	217	1800	317	20000	377
75	63	230	144	550	226	1900	320	30000	379
80	66	240	148	600	234	2000	322	40000	380
85	70	250	152	650	242	2200	327	50000	381
90	73	260	155	700	248	2400	331	75000	382
95	76	270	159	750	254	2600	335	1000000	384
<i>Note: N is Population Size; S is Sample Size</i>					<i>Source: Krejcie &amp; Morgan, 1970</i>				

### 3.4 Method of Data Collection:

Questionnaire designed for the study using Likert-scale was used to collect data for the study. The questionnaire was administered on both residential and commercial customers within the selected franchise areas of Ibadan and Ikeja DISCOs. However, 732 representing 83.1 percent questionnaire was retrieved out of 881 administered.

### 3.5 Validity and Reliability of the Instrument:

Quantitative primary data for this study was tested by content validated by senior academic staff in the

Department of political Science and International Relations, Covenant University, Ota, Ogun State, Nigeria. Also, Cronbach Alpha test used to measure internal consistency gave 0.8 indicating it is reliable since it exceeds 0.7 according to its rule.

### 3.6 Method of Analysis

Both descriptive and inferential statistical methods of analysis were adopted for this work. The data obtained through questionnaire was shown in tables for descriptive analysis and Product Moment regression analysis was used to test the two hypotheses posed for the study. Multiple regression analysis is credited with establishing an index of relationship between two variables. Special package for social science (SPSS) version 17 was used to run the analysis.

## 4. RESULT AND DISCUSSION

### 4.1 Demographic Characteristics of Respondents

Bio-Data Info	Items	IBEDC	IKEDC	Total	Total
		%	%	Freq	%
Gender	Male	229	160	389	53.1
		(55%)	(50.6%)		
	Female	187	156	343	46.9
		(45%)	(49.4%)		
	<b>Total</b>	<b>416</b>	<b>316</b>	<b>732</b>	<b>100.00</b>
Age Grade	18-30	246	136	382	52.2
		59.1	(43%)		
	31-40	86	86	172	23.5
		(20.7%)	(27.2%)		
	41-50	52	46	98	13.4
		(12.5%)	(14.6%)		
51-60	31	32	63	8.6%	
	(7.5%)	(10.1%)			
61 years and above	1	16	17	2.3%	
	(0.2%)	(5.1%)			
	<b>Total</b>	<b>416</b>	<b>316</b>	<b>732</b>	<b>100.00</b>
Marital Status	Single	228	142	370	50.5
		(54.8%)	(44.9%)		
	Married	182	164	346	47.3
		(43.8%)	(51.9%)		
	Divorced	3	4	7	1.0
(0.7%)		(1.3%)			
Separated	3	6	9	1.2	
	(0.7%)	(1.9%)			
	<b>Total</b>	<b>416</b>	<b>316</b>	<b>732</b>	<b>100.00</b>
Customers' Category	Residential Customers	319	238	557	76.1
		(76.7%)	(75.3%)		
Commercial Customers	97	78	175	23.9	
	(23.7%)	(24.7%)			

	Total	416	316	732	100.00
Educational Qualification	Primary Educ.	7	22	29	4.0
		(1.7%)	(7.0%)		
	Junior Educ.	7	18	25	3.4
		(1.7%)	(5.7%)		
	Senior Educ.	75	88	163	22.3
		(18%)	(27.8%)		
	Tertiary Educ.	319	176	495	67.6
(76.7%)		(55.7%)			
Others	8	12	20	2.7	
	(1.9%)	(3.8%)			
<b>Total</b>	<b>416</b>	<b>316</b>	<b>732</b>	<b>100.00</b>	

**Source: Field Survey (2018) Computation from SPSS 1.7 Analysis**

Table 4.1 shows the gender, age, marital status, customer's category and education level of respondents in the electricity distribution company franchise area used for this research at 53.1 percent and 46.9 were males and females respectively while the age grade between 18-30 constitute 52.2 percent, 31-40 account for 23.4 percent, 41-50 represents 8.6 percent and 61 years and above at 2.3% percent. Marital status shows single having 50.5 percent, married 47.3, divorced 1.0 and separated at 1.2 percent. The customers' category indicates 76.1 and 23.9 for residential and commercial customers respectively. Educational qualification shows that primary is 4.0, junior 3.4, Tertiary 67.6 and other 2.7. The analysis implies that the respondents are appropriate for the purpose of this research improving the quality of data

## 4.2 Descriptive Statistics of Research Questions

**Table: 4.2: Descriptive Statistics of Political Consideration for Post-Privatization Performance**

Political Consideration for Post-Privatization Performance of the Power Sector									
Items		Regional Offices				Likert Scale			
		IBEDC		IKEDC		SA	A	D	SD
		Mean	SD	Mean	SD	4	3	2	1
Interpersonal Influence									
1	The owners of the distribution companies have good relationship with the government	2.745	.911	2.715	.869	148	312	200	72
2	The owners of the distribution companies are known people to the government	2.966	.882	3.012	.800	204	368	106	54
3	The owners of the distribution companies are powerful people with wealth and political power.	3.266	.852	3.145	.830	323	276	100	33
Apparent Sincerity									
1	I feel the selection of the distribution company is transparent	1.971	.829	2.028	.877	33	164	302	233
2	I am satisfied with the service of distribution company in my communities	1.802	.875	1.819	.866	36	113	259	324
3	The distribution company by the services provided has shown that they are good in the business of electricity supply.	1.923	.909	2.019	.808	36	155	288	253

Source: Field survey (2018)

### Source: Computation from SPSS 1.7 Analysis

Table 4.2 identifies the degree of importance respondents place on interpersonal influence and apparent sincerity variable for measuring political considerations in the performance of Ibadan and Ikeja DISCOs. The responses show that the most agreeable statement is the statement that "The owners of the distribution companies are powerful people with wealth and political power" with 81.8%, M=3.21 and S.D=0.84.

Likewise, 80.5% (M=1.98, SD=0.46) expressed the highest disagreement with the statement "I feel the selection

of the distribution company is transparent” Respondents across both DISCOs have disposition towards the role of political considerations in the process that led to the emergence of the distribution companies.

### 4.3 Test of Hypothesis

**Table 4.3.1: Correlation Matrix between Post-Privatization and Performance Outcomes**

Correlations				
		Interpersonal Influence	Apparent Sincerity	Performance Outcome
Interpersonal Influence	Pearson Correlation	1	.010	.376**
	Sig. (2-tailed)		.788	.000
Apparent Sincerity	Pearson Correlation	.010	1	-.093*
	Sig. (2-tailed)	.788		.012
Performance Outcome	Pearson Correlation	.376**	-.093*	1
	Sig. (2-tailed)	.000	.012	
**. Correlation is significant at the 0.01 level (2-tailed).				
*. Correlation is significant at the 0.05 level (2-tailed).				

Source: Field Survey (2018) Computation from SPSS 1.7 Analysis

#### 4.3.1 Test of Relationship between Interpersonal Influence and performance of Ibadan and Ikeja DISCOs

Decision Rule: Using the guide that Evans (1996) suggests for the absolute value of r:co-19 “very weak” 20-39 “Weak”, 40-59 “moderate” 60-29 “strong 80-1.0- “very strong”

The research hypothesis one: Politics of interpersonal relationship does not influence selection of IBEDC and IKEDC, is investigated using pearson’s Product Moment Correlation co-efficient. The result showed there was a moderate, positive correlation between the two variables (interpersonal influence and performance of DICOs). The result implies that interpersonal relationship influences the choice of Ibadan and Ikeja electricity distribution companies in the selection process or procedure. Going by the rule, the null hypothesis is accepted.

#### 4.3.2 Test of Relationship between Apparent Sincerity and Emergence of Ibadan and Ikeja DISCOs.

**Decision Rule:**

The second research hypothesis: Policy maker are not sincere in the selection of IBEDC and IKEDC is investigated using pearson’s Product Moment Correlation Co-efficient analysis. The result showed weak negative relationship between the two variables (apparent sincerity and performance of DISCOs). This result implies that policy makers were not sincere in handling the process that led to the emergence of Ibadan and Ikeja electricity distribution companies in the selection process or procedure. Going by the rule, the null hypothesis is rejected.

**Table 4.3.2 Multiple Regression Analysis**

Model Summary				
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.388 <sup>a</sup>	.151	.148	.403910
a. Predictors: (Constant), Apparent_Sincerity, Interpersonal_Influence				
b. dependent variable: Performance Outcome				

The results from the model summary table 4.3.2 revealed the extent to which the variance in the dependent variable (Performance Outcome) is explained by the independent variable (political consideration). The R-squared is .151, which expressed as a percentage equals 15.1%. This means that 15.1% of the variance in performance outcome can be predicted by variables such as apparent sincerity and interpersonal influence. The adjusted R-squared is .148 (that is 14.8%) variability of the independent variable (political consideration: apparent sincerity and interpersonal influence). The standard error of the estimate indicates .403910 which signifies error term. The Durbin Watson result at 1.885 is within recommended range (1.5-2.5).

## **5. CONCLUSIONS AND RECOMMENDATIONS**

### **5.1 Conclusion**

In this study, nexus between political considerations and performance of Ibadan and Ikeja DISCOs was investigated. The findings shows, first, that prior interpersonal relationship influence the selection process and emergence of the DISCOs. This is instructive with implications that political leaders and bureaucrats' cronies' or allies are given preferential considerations in the process of selecting the most qualified bidders for the privatized DISCOs. DISCOs, in this sense, are not the most qualified bidders among contenders. In effect, did not possess the requisite technical, managerial and financial capacity for performance. This aligns with the claim of Fasola (2017) political interference and dishonesty, Eneli-Uzor (2013) ulterior motives of political leaders and Kalejaiye (2013) sales of public utility to ex-public officials

The study also discovered that the policy makers were not sincere and transparent in handling the process that made Ibadan and Ikeja DISCOs to emerge as the best amongst the bidders. This agrees with the interpersonal influence finding. Also, this finding reiterates adherence to laid down process and rules but not immune from managers' surreptitious manipulations in other to align the outcomes with their prior expectations. Moreover, because the first finding revealed the preponderance of self interest promotion, corresponding with the tenets of public choice theory, it is difficult for the process to be absolutely transparent, such that is capable of revealing political leadership and bureaucrats' covert interest. Therefore, the study conclude that political considerations affects significantly the post-privatisation performance of Ibadan and Ikeja DISCOs and thus policy makers personal interest overshadowed common or national interest.

### **5.2 Recommendations**

From the findings of the study, the study offers the following recommendations.

(1) Nigerians must jointly demand for both due process and transparency while interest groups should champion both in the implementation of power sector reforms programme. This will vitiate the thriving of policy makers' covert personal interest promotion under the disguise of adherence to the laid down process.

(2) Citizens need to intensify demand for public accountability and legislative arm of government must live up to its billings of being proactive and productive in her oversight function.

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