

E-COMMERCE, PROBLEMS AND PROSPECT IN NIGERIA

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ABSTRACT

The ability of the internet to bring together distant parts of the world in a global electronic market place and information exchange has a far-reaching and potentially beneficial impact on the developing economies like Nigeria. These have facilitated a dramatic increase in the volume of trade and economic information available on-line. The overall level of electronic commerce, or business transaction conducted via internet from 1999 to 2013, was impressive and growing exponentially. This paper examines the challenges that is hampering the growth of e-commerce in Nigeria, it will equally survey the opportunities offered by ecommerce. Lastly it will offer solution on how some of these critical challenges will be overcome, so that e-commerce would become an asset for common man in Nigeria.

INTRODUCTION

E-commerce, is more than just electronics and commerce added together. It represents an entirely new way of doing business over a medium that changes the very rules of doing business. It is therefore, far more about strategy and business management than it is about technology.

E-commerce and the internet, if correctly utilized for development, can be instruments for ensuring future sustainable economic growth [1]. Throughout the world, the profound impact of electronic commerce in the economics and societies of the globe will no doubt improve economic efficiency, competitiveness, and profitability (for those engaging in e-commerce) and, therefore result in the development of the information society. E-commerce and the new emerging digital technologies and services can be tools for development and help improve the livelihood of millions across the globe, by linking up remote regions and bringing together scientist, administrators development professionals, managers, and people into projects and programmes to promote economic and social development.

The general category of e-commerce can be broken down into two parts [2].

- 1. E-merchandise:** selling goods and services electronically and moving items through distribution channels, for example through internet shopping for groceries, tickets, music, cloths, hardware, travel, book, flower or gifts.
- 2. E-finance:** banking, debit cards, smart cards, banking machines, telephone and internet banking, insurance, financial service and mortgages on-line.

Farooq Ahmed [3] reported that the enormous flexibility of the internet has made possible what is popularly called e-commerce, which has made inroads in the traditional method of business management. All facets the business tradition with which we are accustomed in physical environment can be now executed over the internet including online advertising, online ordering, publishing, banking, investment, auction and professional services.

E-commerce involves conducting business using modern communication instrument: telephone, fax, e-payment, money transfer systems, e-data inter-change and the internet.

E-commerce is not only a new technology and a new frontier for global business and trade, it is also still evolving. It is essential, therefore for Nigerians to understand in detail what is e-commerce, what are their challenges, and opportunities it holds, lastly what can be done to harness the benefits from e-commerce, this paper endeavour to answer the above question. Part 2 provide definition of e-commerce part 3, growth of e-commerce in Nigeria, part 4, status of e-commerce in Nigeria, part 5, discusses the challenges and the prospect of ecommerce in Nigeria. Part 6 offers suggestions on how to promote the growth of e-commerce in Nigeria.

DEFINING E-COMMERCE

It is important to elaborate on the definitions of e-commerce as that will help determine the scope of the technology. E-commerce has been simply defined as conducting business on-line. The organization for economic cooperation and development (OECD) defines electronic commerce as a new way of conducting business, qualifying

it as business occurring over network which use nonproprietary protocols that are established through an open standard setting process such as the internet [5]. This definition distinguishes it from electronic data interchanges (EDI) type proprietary based networks or intranets that were not based on an open (and therefore, not cost effective information infrastructure) like the internet. In the WTO work programme on electronic commerce, it is understood to mean the production, distribution, marketing, sales or delivery of goods and services by electronic means. A commercial transaction can be divided into three main stages; the advertising and searching stage, the ordering and payment stage and the delivery stage. Any or all of these may be carried out electronically and may, therefore, be covered by the concept of electronic commerce. Broadly defines electronic commerce encompasses all kinds of commercial transaction that are concluded over an electronic medium or network, essentially, the internet. E-commerce covers three main type of transactions, i.e business to consumer (B2C) business to business (B2B) and business to government (B2G).

E-commerce is not limited to the purchase of a product, it include, beside e-mail and other communication plate form, all information or services that a company may offer to its customers over the Net, from pre-purchase information to after sale service and support. These are essentially two major uses of e-commerce. The first is to use it to reduce transaction cost by increasing efficiency in the use of both time and procedure [6], and thus lowing cost. The other is to use it both as a marketing tool to increase sales (and customer services) as well as to create new business through it for

example, information technology enabled business, call-centers, software maintenance services etc. It is thus a tool for both existing business as well as an opportunity for new business, both for existing companies as well as for new entrants. E commerce provides consumers the ability to bank, invest, purchase, distribute, communicate, explore, and research from virtually anywhere an Internet connection can be obtained [7].

GROWTH OF E-COMMERCE IN NIGERIA

The following are some of the major efforts made by the Nigerian government to foster the development of e-commerce in Nigeria [5]:

i. Legislative Efforts

Government had instituted a number of regulatory measures to sanitize the finance sector of the economy, such as: the Independent Corrupt Practices Commission (ICPC) Act of 1999; the National Drug Law Enforcement Agency (NDLEA) Act of 1989; the Failed Bank (recovery of debt and financial malpractice of banks) Act of 1994; and the Money Laundering Act of 1995. They were set up to check the tide of fraudulent practices in the country with a view to laundering the image of the country before the international community and within. The other bodies constituted to check the menace of fraud are: the National Cybercrime Working Group (NCWG); and the Economic and Financial Crimes Commission (EFCC) among others (Ezeoha, 2006b).

As part of the efforts to curb the tide of fraudulent practices in the financial

institutions in Nigeria, a Nigerian IT solutions provider is already in partnership with SAS of South Africa to introduce an anti-money laundering solution for the financial service institutions (Chibueze, 2006).

ii. IT Policy

The Nigeria National IT policy, formulated in the year 2000 is responsible for the monumental developments in the sector. The vision is to make Nigeria an IT capable country in Africa and a key player in the information society. Its primary mission is to "Use IT" for: education; creation of wealth; poverty eradication; job creation; governance; health; agriculture; etc. (Ajayi, 2005). However, during the year 2006, Nigeria was reported as the fastest growing Telecoms nation in Africa.

iii. On-Going ICT Projects

a. The Mobile Internet Units (MIUs)

These include busses equipped with ICT facilities such as PCs, peripheral devices and VSATs which are used to carry ICT education to rural areas.

b. The WIN Project

This project is tagged "Wire Nigeria". It was intended to provide ICT infrastructure to all the nooks and crannies of the country. The project includes the provision of VSAT to the 774 local governments in the country, and the installation of the necessary infrastructures particularly, fibre optic backbone across the nation.

c. The E-Government Project

This is part of the civil service reforms which was designed to make the Nigerian civil service proactive and respond quickly to the needs of the general populace. The project is a joint initiative between the public and private sector operators under the aegis of National e-Government Strategies Limited (NeGST) and the National Information Technology Development Agency (NITDA). The project was designed to reduce the bureaucracy that attends to government businesses in the country through the introduction of e-tax, e-learning, e-traffic, e-procurement, e-pricing, e-mail, e-tourism, e-payment, e-revenue, e-legislation, e-policing, e-judiciary, e-health, e-agriculture, e-services, e-kiosk, e-buka etc (Soun, 2004).

E-COMMERCE DEVELOPMENT IN NIGERIA

[6] Despite the global popularity and growth of e-commerce, developing countries like Nigeria, seem to be lagging behind. As a developing country, ICT is growing gradually in Nigeria, with Internet users making up 16.1% of the total population (Internet World Stats, 2009). This shows a considerable increase compared to users in 2006 (3.1% of total population). With more people becoming computer literate and open to adopting ICT usage, e-commerce is gradually gaining popularity among many Nigerians.

However, previous studies have shown that e-commerce has not been fully adopted in the country. A study by Folorunso et al. (2006:2226) shows that 70% of the respondents surveyed had heard about e-

commerce before, but only 32% had used it. This shows that, only a very small percentage of the sample surveyed actually used e-commerce (about 22%) and is evident in most researches done on e-commerce adoption in Nigeria. In order to understand reasons behind the low percentage of e-commerce users, Ajayi et al. (2008:6) identify common e-commerce activities among users in Nigeria as products browsing (74%), products selection (56%), online payment (15%), offline payment (82%), checking results online (43%). From these percentages it is obvious that though consumers were interested in shopping online (by browsing online and selecting products), only a handful were actually making online payments (Ajayi et al., 2008). This low level of adoption of e-commerce in Nigeria has been attributed to various factors by previous researchers. Folorunso et al. (2006:2224) identifies factors affecting the adoption of e-commerce in Nigeria as “establishing cost, accessibility, privacy and confidentiality, data security, network reliability, credit card threat, authenticity, citizen’s income and education”. Data security and citizen’s income were concluded to be the major factors impeding the adoption of e-commerce in Nigeria. Ayo (2006:2) also identifies the issue of cyber-crime as a major factor responsible for the low level of e-commerce implementation in Nigeria. Ayo et al. (2008:2) state that “Internet penetration is still abysmally low and is one of the major threats to e-commerce implementation” in the country. Other factors identified in previous studies include substandard online payment methods, lack of trust in web retailers, poor technological infrastructures, and fear of inadequate security in online environments (Adeyeye, 2008; Ajayi et al. 2008; Ayo et al., 2008; Adeshina and Ayo, 2010).

It is however, noteworthy to state that although these factors exist, one aspect of e-commerce that has been widely accepted by the Nigerian population is the use of e-banking and payment systems. Nigerians engage in online banking (money transfers between accounts, obtaining bank statements, paying bills such as electricity, water, etc) because it offers quicker and more convenient delivery of banking services to customers as opposed to physical banking. However, these customers are exposed to various forms of cyber crimes when transacting online (Egwali, 2009). In addition to substandard payment methods and insecurity, the growth of e-commerce activities such as Internet banking in Nigeria has been inhibited by insufficient telecommunication facilities and erratic electric supply (Ayo et al., 2008:4).

All these factors mentioned, discourage most people from fully adopting and using e-commerce, thereby hindering the development of e-commerce in Nigeria. These factors can also be considered to be environmental factors that influence people studied in that particular environment (Nigeria).

ADVANTAGES OF E-COMMERCE

The following advantages and disadvantages of e-commerce[5].

For Consumers

- Reduced Prices
- Global Marketplace
- 24 Hour Access

For Businesses

- Increased Potential Market Share
- Low-Cost Advertising
- Low Barriers to Entries

DISADVANTAGES OF E-COMMERCE

For the Consumer

- Unable to Examine Products Personally
- Online Purchasing Security

For the Business

- Hardware and Software
- Maintenance of Website
- Costs
- Website Stickiness and Customer Loyalty
- Training and Maintenance.

ISSUES AFFECTING THE DEVELOPMENT OF E-COMMERCE

There are a number of issues affecting e-commerce which are [5]:

1. Taxation
2. Security
3. Privacy
4. Profitability
5. Content
6. Participation in new international standards development

The main reasons that are cited for the low penetration of ecommerce in Nigeria [6].

- The high cost of shipping goods to Nigeria
- The relatively low credit card penetration combined with relatively low personal computer penetration.
- Residual distrust among Nigerians to do online shopping in a society where cash is king.
- Unreliable 'last-mile' delivery.

BENEFITS OF E-COMMERCE

The uptake of e-commerce is influenced by its potential to create business value and by awareness of its participants of the potential benefits (Salnoske, 1997)[9]. A major reason for most companies, irrespective of size, to participate in business is to extract some benefit from it. E-commerce is no

different. The benefits of e-commerce identified from the current literature are classified in two main categories - tangible and intangible. Table 1 presents the key benefits as described in the literature.

BENEFITS RESEARCH/LITERATURE

The benefits of ecommerce as identified by [8] are as follows:

Tangible benefits	
Business efficiency	(Fraser et al. 2000; Lee 2001; Riggins, 1999)
Increased automation of processes	(Fraser et al. 2000; Dan et al, 2001).
Transformation of traditional market chain	(Fraser et al. 2000) .
Retained and expanded customer base	(Fraser et al. 2000; Rahul, Biju and Abraham 2001; Turban, et al, 2000).
Reduced operation costs	(Kent and Lee, 1999; Grover and Ramanlal, 2000; Kare-Silver, 1998; Fergusson, 1999).
Acquisition of a niche market	Riggins, 1999; Rahul et al. 2001)

Intangible Benefits	
Enhancing well-being and education of customers	(Whinston et al. 1997; Lee 2001)
Consumer loyalty	(Lee 2001; Hoffman et al. 1999; Coulson,

	1999)
Competitive advantage	(Kalakota et al. 1999; Hoffman et al. 1999; Straub, 2000; Kare-Silver, 1998)
Convenient shopping	(Hannon, 1998; Winner, 1997)

CONCLUSION

Many companies, organizations and communities in Nigeria are beginning to take advantages of the opportunities offered by e – commerce, critical challenges remain to be overcome before e – commerce would become an asset for a common man in Nigeria. Challenges like, consumer’s confusion, apprehension and risk need to be identified, understood and alleviated.

E – Commerce provides tremendous opportunities in different areas but it requires careful application for consumer issues.

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