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E-Commerce in Nigeria: Challenges and Opportunities

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ABSTRACT

The internet's capacity to unite previously isolated sections of the globe into a single electronic marketplace and hub for the transmission of information might have profound and positive effects on emerging economies like Nigeria's. These have made it possible for a meteoric rise in the amount of data pertaining to commerce and the economy to be accessed online. The growth rate of e-commerce, or business performed via the internet, was exponential from 1999 to 2013. Although the focus of this article is on the obstacles that have slowed the development of e-commerce in Nigeria, it will also provide a broad overview of the possibilities presented by this dynamic industry. Finally, it will include suggestions for resolving some of these pressing issues so that e-commerce may benefit Nigerians generally..

INTRODUCTION

E-commerce goes beyond the simple combination of technology and business. It's a revolutionary approach to doing business in a medium where all the norms have been upended. This is therefore more of a question of corporate strategy and management than one of technology.If used properly, e-commerce and the internet may be powerful tools for fostering long-term economic growth [1]. The widespread adoption of e-commerce and its consequential effects on economies and societies throughout the globe will undoubtedly lead to increased economic productivity, competitiveness, and profitability (for those partaking in e-commerce). By connecting previously unreachable regions and uniting scientists, administrators, development professionals, managers, and people in projects and programmes that promote economic and social development, 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.

There are two distinct subsets inside the e-commerce umbrella [2].

1. **E-merchadise:** 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 serviceand mortgages on-line.

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According to Farooq Ahmed [3], the immense adaptability of the internet has enabled what is now known as e-commerce, which has made inroads into the conventional approach to running a company. Online advertising, online ordering, publishing, banking, investing, auctions, and professional services are just few of the many commercial practices that used to be limited to a physical location but are now possible everywhere there is an internet connection.

Electronic commerce (sometimes known as "e-commerce" or "online business") is the practice of trading goods and services electronically rather than face-to-face.

E-commerce is not only a cutting-edge innovation and uncharted territory for international trade and industry, but it is also a dynamic and developing sector. As such, this paper seeks to address the question posed in the title: what is e-commerce, what are the problems and potential it offers for Nigeria, and finally, what can be done to harness the advantages of e-commerce? In Part 2, we define what we mean by "e-commerce;" in Part 3, we examine the expansion of "e-commerce" in Nigeria; in Part 4, we examine the current state of "e-commerce" in Nigeria; and in Part 5, we talk about the difficulties and potential of "e-commerce" in Nigeria. The sixth section provides recommendations for fostering the development of e-commerce in Nigeria.

DEFINING E-COMMERCE

Defining the parameters of e-commerce is crucial for understanding its potential applications. To put it simply, e-commerce is just doing business online. Electronic commerce, as defined by the Organization for Economic Cooperation and Development (OECD), is "enterprise conducted via networks that use nonproprietary protocols created through an open standard establishing procedure, such as the Internet" [5]. By this definition, the internet is set apart from private networks and intranets that rely on a closed (and hence inefficient) information architecture, such as electronic data interchanges (EDI). According to the World Trade Organization's (WTO) work programme on electronic commerce, "electronic commerce" refers to any business transaction that takes place entirely or mostly online. There are three primary phases to each business transaction: promotion and research; order placement and payment; and shipment and delivery. The term "electronic commerce" may refer to any or all of these if they are conducted electronically. When taken at its broadest, the term "electronic commerce" refers to any kind of business transaction that takes place through the internet. There are three basic types of transactions that may take place in the realm of electronic commerce: those between consumers and businesses, between businesses, and between businesses and governments.

E-commerce encompasses not only the act of buying and selling goods online, but also the provision of any and all related services, from research and planning to post-purchase follow-up and beyond, over the Internet. E-commerce serves mostly these two purposes. The first is to utilize technology to cut down on transaction costs by speeding up processes and streamlining paperwork [6]. To utilize it as a promotional tool to boost sales (and customer service) and to generate new business is another.

businesses that rely heavily on IT such as call centers, software maintenance providers, and others like them. Therefore, it serves as a resource for established businesses and an opening for new ones, welcoming competitors old and new. Consumers may do their banking, investing, purchasing, distributing, communicating, exploring, and researching through e-commerce from anywhere with an Internet connection [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

ii. The government had enacted several pieces of legislation intended to clean up the banking and financial sectors of the economy, including 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 established to stem the flow of fraudulent activities that were tarnishing the country's reputation both abroad and at home. The National Cybercrime Working Group (NCWG) and the Economic and Financial Crimes Commission (EFCC) are two more organizations set up to combat the pervasive problem of fraud (Ezeoha, 2006b).

A Nigerian IT solutions provider has partnered with SAS of South Africa to develop an anti-money laundering solution for financial service institutions in Nigeria (Chibueze, 2006) as part of the country's attempts to stem the flow of fraudulent activities in the country's financial institutions.
IT Policy

The Nigeria National IT policy, formulated in the year 2000 is responsible for the monumental developments in the sector. Thevision 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, peripheraldevices and VSATs which are usedto 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 nooksand 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 backboneacross the nation.

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c. The E-Government Project

This is part of the civil service reforms which was designed to makethe Nigerian civil service proactive and respond quickly to the needs of the general populace. The project is ajoint 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). Theproject 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 growthof 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 opento adopting ICT usage, e-commerce is gradually gaining popularity among manyNigerians.

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 therespondents 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 lowpercentage of e-commerce users, Ajayi et al.(2008:6) identify common e-commerce activities among users in Nigeria as productsbrowsing (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 inNigeria has been attributed to various factorsby 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 etal., 2008; Adeshina and Ayo, 2010).

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It's important to note, however, that despite these challenges, the usage of online banking and other forms of electronic payment has been largely embraced by Nigerians. Online banking is popular in Nigeria because it allows for the delivery of financial services (such as transferring funds between accounts, accessing bank statements, and paying bills) more quickly and conveniently than traditional banking methods. Customers in this situation, however, are vulnerable to numerous types of cybercrime while making purchases online (Egwali, 2009). Internet banking and other forms of electronic commerce in Nigeria have lagged behind the rest of the world due to a lack of reliable infrastructure, including reliable communications networks and a steady supply of electricity (Ayo et al., 2008:4).These constraints prevent many individuals from completely accepting and using e-commerce, which slows its growth in Nigeria. One way of looking at this is as environmental influences on the inhabitants of the area investigated (Nigeria, in this case).

ADVANTAGES OF E-COMMERCE
The following advantages and disadvantagesof 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 ConsumerUnable to Examine ProductsPersonally
- Online Purchasing Security

For the Business
- Hardware and Software
- Maintenance of Website
- Costs
- Website Stickiness and CustomerLoyalty
- Training and Maintenance.

ISSUES AFFECTING THEDEVELOPMENT 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 internationalstandards development

The main reasons that are cited for the lowpenetration of ecommerce in Nigeria [6].
- The high cost of shipping goods toNigeria
  - The relatively low credit cardpenetration combined withrelatively

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	

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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

Although many Nigerian businesses, nonprofits, and communities are starting to reap the benefits of e-commerce, there are still significant obstacles to be addressed before it can really benefit the average Nigerian. Consumers' uncertainty, fear, and anxiety must be detected, analyzed, and addressed.Although e-commerce presents many promising new avenues of exploration, it must be used with caution to avoid compromising customer interests.

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