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E-COMMERCE FOR ECONOMIC TRANSFORMATION IN NIGERIA: CHALLENGES AND THE WAY FORWARD

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ABSTRACT

For a long time, the global business landscape was characterized by a direct seller-buyer transaction (brick and mortar transactions) with a physical environment determining the process. Physical presence was the only way out and any other form of business was questionable. The emergence of computer evolution and radically changed the business landscape especially in the developed economies. The world has finally metamorphosed into a global village with seamless intercontinental commercial transactions at a speed that even lightning is marveled. Dedicated teams of skilled developers and programmers have sprung up in innovation hubs, incubators, and accelerators across the country to build information and telecom solutions that capitalize on the country's mix of challenges and opportunities. Gradually, distance and physical space are no longer barriers in many economic activities on earth. This paper assesses the importance and challenges of electronic commerce (e-commerce) in economic transformation of the Nigerian economic terrain.

Keywords: E-commerce, economic activities, transformation, challenges, prospects, Nigeria.

Introduction

For a long time, the global business landscape was characterized by a direct seller-buyer transaction (brick and mortar transactions) with a physical environment determining the process. Physical presence was the only way out and any other form of business was questionable. The emergence of computer evolution and radically changed the business landscape especially in the developed economies. Gradually, the world is evolving into a digital marketing scenario dominated by electronic commercial (e-commerce) activities. Ilusenge (2014) posits that e-commerce has exerted a great changed in the mode and manner of conducting businesses in the modern world as it offers huge benefits compared to the traditional business methods. The internet has emerged as a major, perhaps eventually the fastest worldwide distribution channel for goods, services, managerial and professional jobs. This is profoundly changing economics, markets and industry structure, products and services and their flow, consumer segmentation, consumer values, consumer behavior, jobs, and labor markets (Ude, 2020). E-commerce allows consumers to electronically exchange goods and services with no barriers of time or distance or location.

E-commerce includes buying and selling of goods and services, servicing customers, collaborating with business partners and conducting electronic transactions within an organization or between organizations. It has expanded rapidly over the past five years and is predicted to continue at this rate, or even accelerate. In the near future the boundaries between "conventional" and "electronic" commerce will become increasingly blurred as more and more businesses move sections of their operations onto the internet, (Torbjorn, 2013). Carrying out these transactions electronically provides vast competitive advantages over traditional methods. When implemented properly, ecommerce is often faster, cheaper and more convenient than the traditional methods of bartering goods and services. E-commerce has also led to the development of electronic marketplaces where suppliers and potential customers are brought together to conduct mutually beneficial trade (Kurnia, Choudrie, Mahbubur, & Alzougool, 2015). For positive transformation of any economy, the adoption of e-commerce activities becomes inevitable.

Brief History of e-business

E-business as a term came into being in 1969 with the United States government's experiment when the internet was initially used by technical audience of government agencies, academic researchers, and scientists. Golden and Regi (2015) report that, by the 1970s, innovations like electronic funds transfer (EFT) started emerging where huge funds were routed electronically from one organization to another but was limited to large corporations. There was also the emergence of electronic data interchange (EDI) which involved electronically transfer of routine documents between manufacturers, retailers and service providers. Inter-organizational system (IOS) emerged in the late 1980s which dealt with travel reservation systems and stock trading. 1990s the internet gradually became commercialized and users flocked to participate in the form of dot-coms, or internet start-ups. Innovative applications ranging from online direct sales to e-learning experiences came on board in 2000 giving birth to Business-to-Business (B2B) business transactions. By 2001, emphasis shifted from B2B to e-commerce, e-government, e-learning, and m-commerce.

Concept of e-business or e-commerce or online business

E-business is an abbreviation for electronic business. E-business or online business means business transactions that take place online with the help of the internet. The term e-business came into existence in the year 1996. So the buyer and the seller don't meet personally. In today's world, we are exposed to various forms of e-Business. Since its emergence, it has grown by leaps and bounds and has played immense roles in the current global economy. In the words of Meskaran and Ismail (2014), e-business is a broader definition of e-commerce which includes buying and selling of goods and services, servicing customers, collaborating with business partners and conducting electronic transactions within an organization or between organizations. In the view of Torbjorn (2013), e-commerce can be defined as the sale or purchase of goods or services, conducted over computer networks by methods specifically designed for the purpose of receiving or placing of orders. The goods or services are ordered by those methods, but the payment and the ultimate delivery of the goods or services do not have to be conducted online. An e-commerce transaction can be between enterprises, households, individuals, government, and other public or private organizations.

Types of e-businesses

There are many types of e-businesses depending on whom the final consumer of the product is. The common types of e-business or e-commerce according to Ndyali (2013), Noor, Sulaiman and Abubakar (2014) and Yoon and Occeña (2015) include:

Business-to-Business (B2B)—in this type of e-business, transactions take place between two organizations. Producers and traditional commerce wholesalers typically operate with this type of electronic commerce where transactions are electronically wired from the production sites to wholesalers.

Business-to-Consumer (B2C)—this is a form of online business where transactions are made between businesses and individual consumers. When a consumer buys products from a seller then it is business to consumer transaction. People shopping from Flipkart, Amazon among others is an example of business to consumer transaction. In such a transaction the final consumer is directly buying from the seller.

Consumer-to-Consumer (C2C)—a consumer selling product or service to another consumer is a consumer to consumer transaction. For example, people put up ads on OLX of the products that they want to sell. C2C type of transactions generally occurs for second-hand products. The website is only the facilitator not the provider of the goods or the service. Consumers can be reached via broad range of channels including dedicated e-commerce websites, social networks, crowd sourcing platforms and mobile applications among others.

Consumer-to-Business (C2B)—this is an e-business arrangement where a large number of individuals make their services or products available for purchase for companies seeking precisely these types of services or products. In C2B there is a complete reversal of the

traditional sense of exchanging goods. This type of ecommerce is very common in crowd sourcing based projects.

Consumer-to-Administration (C2A)—the consumer-to-administration model encompasses all electronic transactions conducted between individuals and public administration. Some examples of applications include disseminating information and distance learning in the educational sector; social security setting through the distribution of information and making payments; tax systems such as filing tax returns and payments; and health sector via appointments, information about illnesses and payment of health services

Business-to-Administration (B2A)—this part of e-commerce encompasses all transactions conducted online by companies and public administration or the government and its various agencies. Also, these types of services have increased considerably in recent years with investments made in e-government.

Advantages of e-business or e-commerce

Online business commonly called e-business or e-commerce has robustly increased the ease of doing business on a global perspective. Generally speaking, electronic business has removed all the stumbling blocks that hitherto characterized the brick and mortar business model that preceded the emergence of electronically transacted businesses. The overall advantages of e-business in the view of Golden and Regi (2015), Parreiras (2015), Franco and Bulomine (2016), Zunawanis, Shahrulnizam, Hassan, Dhiyauddin and Aziz (2016) include the following:

- ⇒ *Convenience*: Every product is at the tip of your fingers on the internet, literally. Type in the product you are looking for into your favorite search engine and every option will appear in a well-organized list in a matter of seconds.
- ⇒ *Time Saving*: With e-commerce there is no driving in circles while looking and digging in hopes of finding what you need. Stores online offer their full line as well as use warehouses instead of store fronts—products are easy to locate and can be delivered to your door in just days.
- ⇒ *Availability of a Variety of Options*: Without driving from store to store the consumer can easily compare and contrast products. See who offers the best pricing and have more options to choose from. While a physical store has limited space, the same store on the internet will have full stock.
- ⇒ *Easy to Compare*: Side by side comparisons are readily available and easy to do. When products are placed online, they come with all the specifics. This enables consumers to compare them, settle for the best and go for it.
- ⇒ *Increasing Customer Base*: The customer base is every business's main concern, online or off. When online, a business doesn't have to worry about getting the best property in town, people from around the world have access to their products and can come back at any time.
- ⇒ *Rise in Sales*: By not managing a storefront, any business will have more sales online with a higher profit margin. They can redistribute money to make the consumer shopping experience faster and more efficient. While being available to international markets, more products will sell.
- ⇒ *Business can be Transacted on Any Day or Time of the Year (24/7 365):* If it's snowing or raining and the roads are closed, or it's too hot and humid to even step outside in the summer, or a holiday that every store in town closes, online business is open for

consumers 24/7 every day of the year. The doors never close and profits will keep rising alongside consumer satisfaction.

⇒ *Expanded Business Reach*: A great tool on the internet is translation where a business online does not have to make a site for every language. With the right marketing, every consumer around the globe can find the business site, products and information without leaving home in his or her own native language.

⇒ *Instant Transactions*: With e-commerce there is no more waiting for the check to clear or a 30-day wait for certain other types of payment. Transactions are cleared immediately or at most two to three days for the money to clear through the banking system.

⇒ *Substantial Benefits to Organizations* such as global reach of business activities, reduction in cost of transportation, warehousing and advertisement, pronounced supply chain improvements, enhanced customization of products to suit consumers' needs, emergence as well as development of new business models, enhanced vendors' specialization, lowering communication costs as well as facilitating efficient procurement procedures, improved customer relations as there is room for prompt customer-care response and complete removal of city business permits and fees among others.

⇒ *Notable Benefits to Consumers* include the presence of a large variety of products and services from which consumers can make their choice(s), presence of cheaper yet quality products and services due to market competitiveness, ensuring instant delivery of goods and services with instant information availability with no extra taxes attached, enabling the participation in auctions by consumers leading to higher standard of living and the availability of public services for the common populace, (Ilusenge, 2014).

Challenges of e-commerce or e-business

E-business or e-commence is replete with challenges that often affect its efficacy. Some of the challenges include:

Privacy and security: Zunawanis, Shahrulnizam, Hassan, Dhiyauddin and Aziz (2016) observe that, before making instant transactions online, customers have to check for the sites certificates of security. While it may be easy and convenient to shop, no one wants their personal information to be stolen. While many sites are reputable for ensuring customers' privacy and security, the cyber space still abound with sites with less than sufficient security and privacy of customers. Again, while businesses make great efforts to keep themselves and the consumer safe, there cyber criminals out there that will break every firewall possible to get the information they want. There have being cyber crimes where big and most renowned business have been hacked online. These pose great challenges in global online business transactions.

Quality of Products may be Compromised: While e-commerce makes everything easily accessible, a consumer cannot actually touch products until they are delivered to the door. It is however stressing that most consumers cannot assess the return policy before buying as many online transaction do not have 'returning goods unwanted or damaged' as an option (Agbo, 2020).

Hidden Costs: Njoku (2019) notes that, when making purchases, the consumer is aware of the product cost, shipping, handling and possible taxes. However, there may be hidden fees

that won't show up on the purchasing bill but will show up on the form of payment. Extra handling fees may occur, especially with international purchases thus raising the cost of procuring desire products.

Delay in Receiving Goods: Although delivery of products is often quicker than in the conventional or traditional brick and mortal mode of business, there are usually delays arising from geographical holocausts and or other natural disasters. There is also a chance that the ordered product may be lost or delivered to the wrong address (Njoku, 2019).

Cost of Access to Internet: Internet access is not free, and if one is using free wifi, there is the chance of information theft over an unsecure site. This may increase the risk in e-business (Agbo, 2020).

Lack of Personal Interaction: While the rules and regulations of each e-commerce business is laid out for customers to read, there is a lot to read and it may be confusing when it comes to the legalities. With large or important orders, Shemi and Procter (2013) observe that there is no one to talk to face to face when one have questions and concerns.

Credit Card Issues: Ilusenge (2014) found other that where discrepancies arise in e-business transactions involving credit cards, many credit card businesses will take the side of the consumer when there is dispute about billing—they want to keep their clients, too. This can lead to a loss for e-commerce business when goods have already been delivered and the payment is refunded back to the consumer.

Extra Expense and Expertise for e-Commerce Infrastructure: To be sure an online business is running correctly, money will have to be invested. As an owner, there is the need to know how transactions are being handled and how products are represented in the most truthful way. To ensure this, Franco and Bulomine (2016) discovered that there will be the need to hire a professional to tie up any loose ends, thus raising extra expenses.

Needs for Expanded Reverse Logistics: The infrastructure of an online business must be on point. This will be another cost to the business because money will need to be invested to ensure proper handling of all aspects of buying and selling, especially with disgruntled consumers that want more than a refund.

Insufficient Internet Service: Although it seems that the world is gradually evolving into a digital village, there are still areas in which network bandwidth can cause disheartening issues. Golden and Regi (2015) discovered that, before setting up an e-commerce business, there is need to be sure that such an area can handle the telecommunication bandwidth that run effectively. Shortage of internet services becomes a major stumbling block in e-business.

Increased Cost Arising from Constant Upgrading: When a business has started as e-commerce, there is a need to make changes to stay compatible. In the view of Golden (2015), while technology grows, the systems that support e-business must be kept up to date or replaced if needed. There may be additional overhead costs in order to keep data bases and applications running

Poor Knowledge and Awareness: When it comes to ratio of internet consumers, scenario is not so admirable in many countries including Nigeria. Agbo (2020) laments that, majority of Nigerian rural population are unaware of internet and it uses. Surprisingly, most of internet savvies or urban population are also suffering from poor knowledge on online business and its functionalities. Very few are aware of the online corruption and fraud and thus darkness still exists. A survey by Ude (2020) reveals that more than 40% of global online users are unaware of the problems of online security.

Absence of Online Transaction Media: Kurnia, Choudrie, Mahbubur and Alzougool (2015) found out that most customers do not possess credit cards, debit cards and net banking system, which is one of the prime reasons to curtail the growth of ecommerce especially in the rural areas where banks and other e-commerce media are not localized.

E-commerce Security Challenges: E-commerce security shares the same issues with cyber security. The dimensions according to Ude (2020) can be categorized as below:

- Integrity–there is the concern of making sure the data or information are not modified or tampered by any unauthorized persons and not using them without users' permission.
- Non-repudiation – making sure not denying any sale or purchase by either the seller or buyer is a big issue with e-commerce.
- Authentication–there is the problem of making sure that only authorized persons are allowed to log on to system.
- Confidentiality – there is another problem of making sure that sensitive data and information are encrypted and not easily broken.
- Availability–it is difficult to ensure that the software system is always available and the hardware equipments are working properly, and in the case of disaster, the system is able to recover quickly.

Again, Torbjorn (2013) observes that in most cases, maximum number of business entrepreneurs use unauthorized software in their server, which usually does not come with upgraded online security. Such pirated software leaves room for virus, malwares and Trojan attacks and it is highly risky task to make online transactions in the systems, which may disclose or leak sensitive details of credit cards and online banking of the users.

Fear factor: Golden and Regi (2015) report that fear of making online payment is a universal psychological factor of online customers. With the spread of knowledge on online transactions and its reliability, some percentages of customers have overlooked this fear and they are fearlessly engaging themselves in online shopping. But still, majority of customers are not aware of online transactions and its security. They often reluctant to disclose their credit card and bank details and preferred to stay away from online world of shopping.

'Touch and Feel' factors: Many customers are more comfortable in buying products physically as they tend to choose the product by touching the product directly. Consequently, many buyers are more inclined to do ticketing and booking online in Travel sectors, books and electronics. According to Meskaran and Ismail (2014), companies dealing with products like apparel, handicrafts, jewellery have to face challenges to sell their products as the buyers want to see and touch before they buy these stuffs.

Technological challenges of e-business in the view of Agbo (2020) include issues like poor internet connectivity, network security issues, frequent power cut-offs and or damages, shortage of competitive e-commerce specialists to resolve nagging issues, high cost of innovating and upgrading systems leading to increased costs of online transactions and high costs of hiring and retaining IT personnel.

There are also some legal issues that confront efficient e-business. Yoon and Occeña (2015) and Njoku (2019) lament that there are few government laws and policies regulating the conduct of e-business; the sheer absence of e-commerce regulatory body on global level, copyright and poor implementation of policies governing e-commerce. On the social and cultural scene, e-business is confronted with obstacles such as low IT literacy amongst end-users (customers), lack of awareness on e-commerce among a large chunk of the global population; unguaranteed privacy of consumers; problems with acquiring loyal customers as well as ensuring customer satisfaction in all transactions; poor quality customer services on many e-business platforms; acquiring reliable and timely suppliers of customers' bookings; identifying customer habits to be incorporated in the e-business procedures; lack of awareness on existing competitors which could promote consumers' choice making abilities; poor and unreliable integrated payment gateways; personal and communication issues and resistance to e-business innovations by the populace.

Conclusion

Comparing the advantages of e-business to those of the traditional commerce, it is evident that e-commerce is a faster mode of commercial activities as goods and services transacted online removes the barriers of speed, accuracy, place and time and ensures quick contact between producers and consumers. There is therefore the need to incorporate e-business knowledge and skills in the educational system to provide recipients with competencies essential for rapid economic transformation on the Nigerian economy bearing in mind the emergence of global health and economic challenges, hence, the following recommendations.

The Way Forward

Based on the challenges identified above, the writers hereby recommend that:

i. The government and public-spirited individuals should ensure the availability of services and hardware (particularly computers) in Nigeria that support the adoption of e-commerce technologies.
ii. Service providers should install faster Internet connectivity/improved bandwidth
iii. The educational system should marshal out appropriate educational policies favouring e-learning which can provide e-competence that facilitate e-commerce.
iv. Appropriate legislation should lower prices of data for internet connectivity which can encourage e-commerce.
v. The government and private individuals should make efforts that ensure uninterrupted availability of reliable electricity all day round.
vi. Programmers should develop appropriate language apps that effectively explain the content and other terms and conditions of all e-business transactions.
vii. Every e-commerce system should have security measures because it is one of the most important features for e-commerce.
viii. There should be the installation and configuration of firewalls in the enterprises networks should prevent unauthorized access.

ix. There should be the creation of awareness and knowledge among the consumers regarding the e-commerce security should be taken into consideration.
x. Secure Socket Layer (SSL) – the use of public key encryption in SSL ensures the confidentiality, data integrity, authentication , and non-repudiation.
xi. Personal Identification Number (PIN) should be employed in the use of email callbacks to confirm each transaction also personal firewalls can help to protect computers used in e-business.
xii. There should be a global clear security policy on e-business to secure an e-commerce business enterprise.

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