

E-Commerce as a Tool for Achieving Economic Growth and Development in Nigeria

UMEANO, NGOZI E.

Department of Office Technology and Management

Federal Polytechnic, Mubi, Adamawa State.

Email: lynumeano@yahoo.com lynumeano@gmail.com

ABSTRACT

E-commerce is a way of doing business electronically, Businesses are transacted through internet. It helps people to buy and sell without going through the stress of the traditional market. People sit in the comfort of their houses, offices and so on, yet get what they want and equally sell or reach out to their customers. This paper therefore looked at the importance of e-commerce to both the sellers and the customers. This paper therefore looked at the importance of e-commerce. It talked about the types of e-commerce and the challenges of e-commerce. The paper concluded by recommending that infrastructure is very important for e-commerce to flourish in Nigeria and that technician should be trained to make it achieve the desired goal.

Key words: E-Commerce, Achieving, Economic Growth.

INTRODUCTION

E-commerce is the way of developing, marketing, selling, delivering goods and services, and equally paying for the goods and services through worldwide network. E-commerce simply put is buying and selling products online. The computer networks allow people, organizations and individuals to buy, sale, transfer or exchange products, information and services. The e-commerce is normally done digitally through enabled transactions. This platform allows businesses of any type, size, location, anytime, anywhere and wherever in the world to be transacted with any one. The issue of geographical barriers is not a hindrance as the whole world is connected to the net and is now a global village. Those involved in buying and selling of the products rely on internet-based technologies and e-commerce applications in order to actualize the process or get what they want either as buyers or sellers. The e-commerce could work through the internet, intranets, extranets, and other computer networks. The e-commerce through ICT facilities have been helping people to buy and sale faster, easier, convenient, comfortably timely, and better, these days. Upon all these benefits being provided by the e-commerce, many are yet to come to term with this opportunity made available by e-commerce.

The role of information technologies in business via internet and e-commerce have been transformed and witnessed a lot changes and development in recent time in Nigeria. This is due to the fact that e-commerce or e-business has become a global trend and is witnessing a paradigm shift from the traditional way of transacting business to information system. Internet technology globally has been rapidly improving and Nigeria and Africa in general must catch up with this movement. This has brought with it a lot of opportunities in all

spheres of life. The internet continues to greatly impact on individuals, nations, institutions, groups, communities and the society in general, economically, technologically, socially, politically, culturally, physically and emotionally. This can be seen from the way people are embracing new ideas like e-banking, e-governance e-budget, e-learning, e-commerce among others. E-commerce using modern communication instrument involves conducting business by telephone, fax, e-payment, money transfer systems, e-data inter-change and the internet. There was a competition in major markets such as consumer electronics, gifts, clothing or apparel and outdoor goods started to grow and the need for e-commerce marketing too. The first online retailers made huge profits and swathe success for online market through the net up to the dot com boom. The e-commerce is made up of several creative or unique mixes of traditional and new-age marketing strategies that include: techniques related to direct mail, e-mail marketing, search engine optimization, or sponsored listings, establishing brand recognition, building related links and social media marketing.

CONCEPTUAL CLARIFICATIONS

E-commerce is 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 (World Trade Organization 2013). It further noted that e-commerce transaction can be between enterprises, households, individuals, governments, and other public or private organizations. Module 6 (2015) noted that Electronic commerce encompasses the entire online process of developing, marketing, selling, delivering, servicing, and paying for product and services transacted on internet worked, global marketplaces of customers, with the support of a worldwide network of business partners.

Iloka, 2014 stressed that E-commerce is commonly referred to as online commerce, web commerce, e-business, e-retail, e- tailing, e-commerce, e-com or EC. It is simply conducting business on-line. The organization for economic cooperation and development (OECD) 1999 noted that electronic commerce is 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. E-commerce marketing which include both online or offline campaign strategies can be explained as the marketing of goods and services over the internet or any other electronic network (like a mobile phone or pda). E-commerce marketing is commonly referred to as: e-commerce optimization, online marketing, search engine marketing, search engine optimization, catalog optimization, catalog, product, merchant marketing and many more variations of those terms (Iloka, 2014).

THE IMPORTANCE OF E-COMMERCE

The invention of ICT has really made a very big landmark to the ways things were done in the past to an improved method or ways. E-commerce has made life easier and more comfortable than before. These are some importance of e-commerce. The e-commerce makes buyers and sellers to buy and sale without much stress like the traditional way. The World Trade Organization (WTO) (2013) outlined the following as the importance of E-

commerce: E-commerce has been hailed by many as an opportunity for developing countries to gain a stronger foothold in the multilateral trading system. E-commerce has the ability to play an instrumental role in helping developing economies benefit more from trade. Unlike the requirements necessary to run a business from a physical building, e-commerce does not require storage space, insurance, or infrastructural investment on the part of the retailer. E-commerce allows for higher profit margins as the cost of running a business is remarkably less.

E-commerce also allows for better and quicker customer service. In some cases, customers could have direct access to their own personal accounts online and can avoid calling companies on the phone. Time and money can be saved through this. Commercial benefits such as overnight package delivery services can be enjoyed by customers. The customers could be given the tracking services which allow them to check the where about of their packages online. It helps provide good levels of customer satisfaction with very little effort from the side of the business. The entrepreneurs are now using calling and texting services to acquire locally relevant information and services. The module six (2015) equally highlighted the following as the benefits of e-commerce:

To Organizations:

- Expanding market place to national and international
- Shortens or even eliminates marketing distribution channels.
- Allow lower inventories by facilitating pull types supply chain.
- Helps small businesses compete against large companies.
- Decreases the cost of creating, processing, distributing, storing and retrieving information by digitizing.

To Customers:

- Can conduct quick online price comparisons
- Gives more choices.
- Transact from any location.
- Delivers relevant and detailed information in seconds.
- Enables consumers to get customized products.

To Society:

- Less travelling resulting in less road traffic and lower air pollution.
- People from rural areas can enjoy products and services that are otherwise not available
- Chances of reduction in fraud and increasing the quality of social services.

According to International Labour Organization (ILO, 1999) 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. E-commerce is not just for purchasing of products, it goes with e-mail and other communication plat forms, 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. There are two essential major uses of e-commerce as asserted by Ogbu (2015). The first is to use it to reduce transaction cost by increasing efficiency in the use of both time and procedure and thus lowering cost. The other is to use it both as a market 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. Alley, (2010) supported that e-commerce provides consumers the ability to bank, invest, purchase, distribute, communicate, explore, and research from virtually anywhere an internet connection can be obtained. The e-commerce apart from convenience also broke the physical barrier of offline shopping and equally creates jobs for Nigerians, especially in the delivery services of the e-commerce businesses. It brought to light small and medium enterprise businesses to a large network of customers, who see their products online and make their orders. The e-commerce online stores such as Yudala Experience, Jumia, Konga, Gloo.com, OLX, and Efritin.com have created and still creating millions of jobs in Nigeria. This no doubt is reducing the number of unemployed youth in the country with its resultant crime reduction. It is really gaining ground and needs to be sustained and support by all in order to increase the economic and notional growth.

Ihenyen 2015 noted that e-commerce in Africa (Nigeria inclusive) is currently growing at 25.8% rate. Against the rest of the world's 16.8%, this growth rate makes the continent the fastest-growing e-commerce market in the world. The current insurgency in Nigeria is helping the e-commerce to boom as most Nigerians are afraid of going to the markets, shopping plazas, super markets and others to buy their products physically because of fear of insurgent's attacks and bombing. Many prefer to buy online than the traditional way. In line with the above, Akabogu and Ejiofor (2015) contented that the emergence of e-commerce has greatly changed the traditional method of shopping. Buying and selling of goods and services can now be done online any time whole goods are delivered with either in-house or partner courier service providers, electronic products like e-books, videos, and audios are delivered electronically. And this is at affordably and competitive prices, sometimes cheaper then offline price. All these importance of e-commerce when properly utilized, help in the economic growth and development of Nigeria. This is because, it helps the business operators earn their living and equally serve as sources of employment to the unemployed youth and thereby reducing crime in the society.

TYPES OF E-COMMERCE

There are three basic categories or types of e-commerce. They are: Business-to-consumer (B2C) – Business develops attractive electronic market places to sell products and services to consumer companies and offer:

- E-commerce website that provide virtual storefronts and multimedia catalogs.
- Interactive order processing.

- Secure electronic payment systems
- Online customer support e.g. retailing,
- Online reservations.

Business-to-business (B2B) – involves both electronic business marketplaces and direct market links between businesses. Companies may offer:-

- Secure Internet or extranet e-commerce websites for their business customers and suppliers.
- Electronic data interchange (EDI) via the internet or extranets for computer-to-computer exchange of e-commerce documents with their larger business customers and suppliers.
- B2B e-commerce portals that provide auction and exchange markets for businesses e.g. Boomi-com-addresses information, knowledge and business requirements of various players.

Consumer-to-consumer (C2C) – successes of online auctions like e-bay, allows consumers (and businesses) to buy and sell with each other in an auction process at an auction website.

- Sponsoring consumer or business auction are an important e-commerce alternative for B2C or B2B e-commerce.
- Electronic personal advertising of products or services to buy or sell by consumers at electronic newspaper sites, consumer e-commerce portals, or personal websites is an important form of C2C e-commerce e.g. Ebay.Com-web auction site.

Business to government (B2G) commerce is an e-commerce between companies and the public sector. This is the use of the internet by the public sector for procurement, licensing procedures, and other governmental operations. In this types of e-commerce, the government or public sector pilot the establishment of e-commerce for its procurement system. Though this e-commerce has not really been used by government or gained wider recognition.

Lawal and Ogbu, (2015) noted that e-commerce can be categorised into two parts namely:-

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.

CHALLENGES OF E-COMMERCE

Though e-commerce has a lot of potential benefits, it equally has a lot of potential problems amongst which are according to World Trade Organization (WTO) 2014:

- Lack of financial, legal and physical infrastructure for the development of e-commerce.

- The difference in cultures and business philosophies across developing countries has also been seen to limit the applicability and transferability of the e-commerce models designed by some developed countries.
- The securing concerns of the customers remain an important impediment to expanding e-commerce services and business. Probably, the biggest drawback is the reluctance of customers to provide online information about their credit cards.
- The growth of broadband has created a greater need for users to protect their security and privacy in an “online” environment.
- Both individual users and businesses report that computer viruses are the “malware” they encounter the most.
- Security continues to be a problem for businesses as customers have to feel confident about the integrity of the payment process before they commit to the purchase.
- Smaller, low-income internet markets in developing countries, particularly in Africa have been unable to attract sufficient investment in infrastructure.
- Lack of competition, this result in bandwidth cost that can be up to 100 times higher than in developed countries.
- Lack of technical skills which keeps SMEs from realizing their full e-commerce potentials. Many developing countries do not have a workforce that has sufficient training in ICT and mobile technology.

Folorunso et al cited Lawal and Ogbu (2015), identified factors affecting the adoption of e-commerce in Nigeria as establishing cost, accessibility, privacy and confidentiality, and 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. The issue of cybercrime is a major factor responsible for the low level of e-commerce implementation in Nigeria and that internet penetration is still abysmally low and is one of the major threats to e-commerce implementation the country (Ayo, 2006). There are other factors identified which include substandard online payment methods, lack of trust in web retailers, poor technological infrastructures, and fear of inadequate security in online environments (Ayo cited in Akabogu and Ejiofor, 2015).

Ihenyen, (2015) lamented that till date, Nigeria does not have any legislation on cybercrimes. All the country has are bills. He noted further that the privacy of online shoppers also needs to be legally protected. Section 37 of the 1999 constitution of the Federal Republic of Nigeria (as amended) guarantees the privacy of citizens. He stated that online privacy is at risk without data protection. There are a number of issues affecting e-commerce which are: taxation, security, privacy, profitability, content and participation in new international standards development (Zeinab 2005). The main reasons in Nigeria are: the high cost of shipping goods in 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. The problem of irregular power supply is another problem that greatly affects the use of technological equipment in Nigeria (e-commerce inclusive).

CONCLUSION

E-commerce has helped people, businesses and government to do their shopping, selling and procurement online without passing through the stress of going there physically to do it. Though e-commerce has made life easy and comfortable, it is not without some potential problems which hinder it from moving to the level it supposed to have been. The e-commerce provides so many opportunities in different areas; it needs to be carefully applied because of consumer issues. All the stakeholders must work together for its sustainability.

RECOMMENDATION

The following are some of the recommendations that would help to ameliorate the problems of e-commerce:

1. The adequate infrastructure should be made available so that the potentials of e-commerce can be achieved. Apart from the infrastructure, the finance and legal environmental have to be made available too so as to uplift e-commerce.
2. The issue of security has to be taken seriously so that people would have confidence in transacting/using e-commerce.
3. The needed resources to start up business should be made available for business to be boosted by the government.
4. Privacy of online shoppers needs to be legally protected for them to have confidence in the transaction.
5. The power sector has to improve the supply to the masses as this will increase and improve business in Nigeria thereby boosting e-commerce development.

REFERENCES

Akabogu, C. A, & Ejiofor B. I (2015). *E-Commerce as Next Driver of Nigeria's Economic Growth and Development: Challenges and Opportunities*. Paper Presented at the 12th Annual National Conference of the School of Business and Management Technology, Federal Polytechnic Mubi at Isa Ahmadu Multi-purpose Hall 12-14 Nov. 2015.

Alley, C. Vivian M. (2010). *E-Commerce*. The University of Sheffield.

International Labour Organization (1999), *Human Resource Implication of Globalization and Restructuring in Commerce*, Ilo, Geneva.

Ioka, B. C. (2014). *Concepts and Applications of E-Business*. Data Processing Centre NPOPC, Enugu Nigeria.

Ihenyen, S. (2015) *Commerce Evolution in Nigeria: Opportunities and Threats*. Introduction to E-Business and E-Commerce. (www.northwestsupplies.com).

- Lawal, A. and Ogbu, C. (2015). E-Commerce, Problems and Prospects in Nigeria: *International Journal of Scientific Engineering and Applied Science (IJSEAS)* vol. 1, (3) June, 2015.
- Mudul, A. (2015). E-Business and E-Commerce. The Economic and Social Impacts of Electronic Commerce: *Preliminary Findings and Research Agenda*, OECD, 1999. Paris.
- University Arab Emirates University, *World Association for Sustainable Development*, Al Ain, UAE, 23-32 November 2005.
- Vatcharaporn, E. and Sivporn, C (2001). *Electronic Commerce and Electronic Business Implementation Success Factors with Bled Electronic Commerce Conference*. Bled, Slovenia, June 25-26-2001.
- World Trade Organization (2013) *E-commerce in Developing Countries, Opportunities and Challenges for Small and Medium Size Enterprises*.
- Zeinab, M. & Gawady, E. I. (2015). *International Conference of Globalization, Technology and Sustainable Development*.

Reference to this paper should be made as follows: Umeano, Ngozi E. (2015), E-Commerce as a Tool for Achieving Economic Growth and Development in Nigeria. *J. of Management and Corporate Governance*, Vol. 7, No. 2, Pp. 61 – 68.
