

## Factors influencing Nigeria's use of e-commerce

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### ABSTRACT

E-commerce has revolutionized the Nigerian economy by creating job opportunities, expanding consumer markets, enhancing production and system efficiency, and enhancing value addition to services. It has also facilitated global commercial development and widened international trade boundaries. Small and Medium Enterprises (SMEs) play a crucial role in both developed and developing countries, offering numerous benefits such as cost reduction, increased flexibility, error reduction, faster response times, and lower labor costs. However, challenges persist, such as the need for continuous training for managers and employees to understand the evolving nature of e-commerce, lack of security and reliability, trust, and access to capital, and poor infrastructure. To address these issues, cooperation between SMEs and government institutions is crucial. The integration of e-commerce in Nigeria is hindered by factors such as lack of security, reliability, trust, and access to capital.

**Keywords:** E-Commerce, SMEs, Value addition, Challenges, Developing countries

### INTRODUCTION

Broadly speaking, information technology (IT) solutions are understood to include a variety of "software, hardware, telecommunication, and information management techniques and applications that are used to create, produce, analyse, process, package, distribute, receive, retrieve, store, and interpret information" [1]. Commerce predominates the economic activity in practically all emerging nations. Because it is one of the most dynamic non-oil sectors in Nigeria, the significance of commerce cannot be overstated. According to the [2], Nigeria's top non-oil industry is commerce, which accounts for 18.9% of the country's GDP. As a result of business utilizing the numerous advantages IT has to offer, electronic commerce (EC) has developed [3]. Therefore, according to [4], EC may be defined as the use of various IT technologies to support the growth and development of business operations both internally and internationally. The definition of E-commerce Any IT tool known as a tec is one that facilitates the coordination and execution of business transactions as well as the communication of business information among trade partners. Considering that EC helps SMEs compete with bigger organizations and function on a global scale, it may be very important to an organization, especially SMEs [5]. It is generally acknowledged that the EC promotes the growth and development of enterprises in emerging nations. This decision was made in response to the anticipated advantages of IT in terms of lowering business process expenses [4]. Businesses in underdeveloped nations have unique difficulties from those in wealthy nations [4]. This shows that there are various difficulties with EcT uptake and acceptance in poor nations. E-commerce has not been as widely embraced in poor countries as it has been in wealthy ones [6]. Their research reveals that the rate of EC development in poor nations is rather modest. According to [3], developing nations are still lagging behind in adopting new IT systems that support e-commerce. It is crucial to look at the potential obstacles to SMEs in Nigeria adopting EcT due to the size of the commercial activities taking place there and the rapid progress that has occurred in the field of information technology [7].

Small and medium-sized businesses (SMEs) play a significant role in economic growth in developing nations, which helps to create jobs and reduce poverty [8]. Since they make up over 97% of privately held firms in Nigeria, SMEs are particularly important to the country's economic development [9]. According to [7], they are regarded

as the foundation of the economy, employing over 50% of the labor force and producing more than 50% of Nigeria's industrial production. They contribute significantly to improving human resource quality, creating jobs, fostering an entrepreneurial culture, supporting large-scale enterprises, and promoting the development of new business prospects [10]. As suppliers, distributors, manufacturers, and customers, SMEs play a variety of functions in supply chains [11]. Many SMEs have been forced to embrace EcT solutions by the effects of globalization in order to compete in supply networks that are becoming more and more competitive [12]. EcT has been increasingly used and adopted by organizations for information storage, processing, distribution, and exchange both within the company and along its supply chains. Businesses use EcT for a variety of goals, such as increasing productivity, lowering costs, and improving customer service. This essay evaluates the barriers to e-commerce in emerging nations.

### Conceptual Review

#### E-commerce

The term "electronic commerce" covers a broad spectrum of online commercial ventures including goods and services. Additionally, it applies to "any sort of economic transaction in which the participants communicate electronically as opposed to through direct physical contact or exchanges. E-commerce is typically understood to refer to any transaction involving the transfer of ownership or rights to use products or services over a computer-mediated network, including buying and selling on the Internet. A more comprehensive definition of e-commerce is the use of digital information processing and electronic communications in business transactions to create, transform, and redefine relationships for the creation of value between or among organizations, as well as between organizations and individuals. Although some people confuse the terms e-business and e-commerce, they are two different things. Information and communications technology (ICT) is used in e-commerce for both business-to-consumer (transactions between businesses/organizations and individuals) and inter-business or inter-organizational (transactions between and among firms/organizations) transactions. On the other side, with e-business, ICT is applied to improve one's business. Any procedure carried out by a commercial organization—whether for profit, governmental, or nonprofit—over a computer-mediated network is included. Using the technologies, ideologies, and computing paradigm of the new economy, e-business is defined more broadly as "the change of an organization's activities to generate more customer value.

#### E-Commerce Advantages

**Transaction costs:** B2B e-commerce allows for considerable cost reductions in three areas. The first benefit is a decrease in search expenses since, unlike in a traditional supply chain, buyers do not need to travel through many middlemen when looking for information on suppliers, goods, and pricing. The Internet is a more effective information conduit than conventional media in terms of time, money, and effort invested. The second benefit is the decrease in processing fees for transactions (such invoices, purchase orders, and payment plans), as B2B enables transaction procedures to be automated and, as a result, may be implemented more quickly than through conventional channels (like the phone and fax). The B2B e-market's capacity to handle sales through online auctions improves efficiency in trading operations and transactions. Third, online processing enhances logistics and inventory control. Disintermediation. Suppliers and buyers may communicate and do business directly through B2B e-markets, doing away with middlemen and distributors. New kinds of intermediaries are, nevertheless, starting to appear. For instance, as they stand in the between of suppliers and buyers in the supply chain, e-markets themselves might be regarded as intermediaries. Openness in pricing. The improvement in pricing transparency is one of the e-markets' more obvious advantages. Participants are given access to transaction processing and market pricing information when several buyers and sellers congregate in one e-market. Information about a single purchase or transaction can be published on the Internet, making it easily available to all participants in the e-market. Pricing differentials in the market are reduced as a result of greater pricing transparency. In this situation, consumers are given a lot more time to evaluate pricing and make wiser purchases.

#### E-commerce in Developing Countries

Developing nations are attempting to catch up because they are so far behind in this area. These nations are making an effort to adopt the methods used by developed nations like the USA and the UK, which have benefited from easy access to a wider range of markets and have been able to do so whenever they want [13]; these nations' economies have grown as a result. The use of e-commerce has provided organizations with a variety of chances to enter the domestic and international marketplaces of industrialized nations. Despite the advantages that developed nations have gotten from the adoption of e-commerce, the research that is currently accessible indicates that developing countries have a low degree of e-commerce adoption due to the difficulties [13]. Additionally, it should be noted that, in contrast to developed nations, people in developing nations typically do face-to-face transactions. They want to inspect anything they want to buy and bargain for the greatest price. Due to several obstacles, e-commerce is increasing slowly in underdeveloped nations [14]; [13]. The potential advantages of e-commerce are not yet fully understood by many businesses in emerging nations. Before poor nations can fully enjoy the advantages of e-commerce, they must overcome a number of issues [13]. Small and medium-sized enterprises in

developing nations can benefit from e-commerce by opening up opportunities in both domestic and global markets. This has a favorable impact on economic growth, which increases revenues and profits.

The number of societies conducting business online is rising in developing nations, but they are unable to keep up with wealthy nations because they have not been able to fully utilize the advantages and possibilities of e-commerce. The limited advantages of e-commerce are also due to the environmental and economic limitations of developing nations [15]; [13]. Most e-commerce research for developing nations has concentrated on social and legal issues like privacy, authentication, trust, psychological and cultural barriers, internet access, and e-security [16]. However, not enough research has been done in the areas of technological infrastructure, policy initiatives, and trust that are limiting the growth of e-commerce [17]; [13]. E-commerce has the ability to increase productivity and efficiency, transform how business is conducted, and present promising chances for growth in developing nations if given enough consideration [18]. Therefore, it is important to assess the difficulties that e-commerce in developing nations is experiencing. According to several studies [14], e-commerce has enhanced business transactions internationally and is also having an impact on e-commerce in developing nations due to the hurdles that exist. [19] research established the huge potential of e-commerce in enabling individuals in developing nations to overcome challenges and establish a sustainable economy.

#### **Factors affecting Adoption of E-Commerce in Nigeria**

There are several reasons why e-commerce is very slowly expanding in poor nations, particularly in Africa. Numerous studies on the adoption of e-commerce in developing nations have emphasized the issues, which include, among other things, consumer attitudes, infrastructure, political issues, socio-economic issues, language barriers, and computer illiteracy [20]. The majority of Africans do not fully understand the value of internet shopping, and because of online fraud, even customers are wary of disclosing their personal information [21]. The adoption of e-commerce is being hampered by a number of problems, including customer attitudes regarding e-commerce systems, privacy, the security of consumer data, and trust [22]. Economic, social-political, and cognitive concerns are at the heart of the challenges with e-commerce adoption in Nigeria. The economic problems are mostly related to the delayed spread of the internet, the absence of credit cards, and logistics [13]. Further causing obstacles include socio-political difficulties, institutional and informal institutions, cognition-related issues along with legal, environmental, and policy-related issues. Lack of knowledge, a language barrier, and computer illiteracy are cognitive difficulties. According to [23], "security and citizen's income are some of the issues affecting the adoption of e-commerce in Nigeria." Due to several technological and non-technical challenges, customers in the majority of developing nations are adamant about utilizing conventional e-commerce transactions; as a result, consumer preparation is crucial.

Similar to developed nations, e-commerce literacy appears to be low in emerging nations due to ignorance. E-commerce development in poor nations is hampered by the problem of low internet awareness. Internet users therefore frequently encounter difficulties that hinder effective online communication. Additionally, the development of e-business has been seriously hampered by computer and literacy barriers. As a result, many people are limited to using social media, email, and online surfing. Additionally, a low level of information technology understanding among people and organizations contributes to the restricted use of e-commerce, which in turn prevents people from looking into ways to better their enterprises. Once again, several studies demonstrate that sensible governmental policies do have an impact on the expansion of e-commerce. According to [24], developing nations have weak governance, which results in ineffective leaders and governments that are unwilling or unable to deal with a range of social, economic, and political issues. Political unpredictability, poor economic management, and poverty are just a few of the multifaceted problems that Africa is dealing with. Even if there are a growing number of e-commerce operations in the majority of developing nations, the development has been relatively gradual due to a lack of effective government laws. The main challenge that the developing nations have, in addition to the aforementioned, is the problems with the formulation and execution of government policy. Additionally, a number of studies have been conducted on the topic of "trust," which has been a problem in e-commerce and one of the most extensively studied elements of it from the users' perspective. Because it is one of the main motivators for customers when they do their business online, trust is crucial to e-commerce. Lack of confidence in online purchases is one of the key problems with online purchasing, according to [25]. In a sizable network of unfamiliar merchants, trust is absolutely essential. It is essential in encouraging customers to make online purchases of goods and services. In a similar line, the ease of e-commerce has allowed customers to access goods and services remotely, increasing its popularity. Although some researchers claim that security and privacy have limited the full potential of e-commerce, many consumers have legitimate concerns about disclosing their private information to an unidentified party over the internet because they are unsure of how their information will be handled. Due to customer attitudes about e-commerce being one of distrust, fraud, and online crime, security and privacy have become major concerns for e-commerce services in developing nations. Proper security can prevent customer data from being used for online fraud. The problem is crucial for both customers and businesses since it is essential to the latter's success [26].

### Need for Infrastructural Upgrade for E-Commerce in Nigeria

The rise of e-commerce has been recognized to be hampered by a lack of infrastructure. Due to a lack of technological prerequisites for conducting e-commerce, developing nations lag considerably behind industrialized nations in this area because the effectiveness of internet services depends on each country's telecommunications infrastructure (Ibikunle, 2013). In addition, developing nations must create and sustain trust in order for e-commerce applications to be successful. These crucial supporting components include technology, governmental measures, and trust. The rise and integration of ICT has altered economies and cultures, and the internet and e-commerce have united many nations to create a globally networked economy [18]. The impact of e-commerce on the economy may be clearly seen in the changes it brings to business operations and how these changes raise productivity [27]. This affects the individuals, organizations, industry, and nation as a whole and leads to increased international trade as well as more chances for marketing and information-sharing on a worldwide scale. E-commerce will provide businesses the opportunity to operate virtually, which will boost efficiency [28].

### CONCLUSION

Both established and emerging economies rely heavily on SMEs, notably in Nigeria, where adopting e-commerce has several advantages, including cost savings, flexibility, reduced mistake rates, quicker reaction times, and cheaper labor expenses. However, problems such as a lack of security, dependability, and trust, as well as weak infrastructure, continue to prevent the acceptance and efficient long-term use of e-commerce. It is crucial that SMEs and government organizations work together to address these problems and offer ongoing training to managers and staff so they can adjust to how e-commerce is developing.

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