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A
Conference Paper on
E-Commerce System: A Tool for Economic Diversification
By

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Abstract

E-Commerce is one of the untapped IT resources in Africa. Due to lack of Information Technology Infrastructure, many African countries are yet to start mining the dividends of electronic commerce. Nigeria as a major economic hub of Africa need to diversify her economy for growth and e-commerce fills this void. This paper reveals the importance of ecommerce to a growing economy like that of Nigeria. It is very much important to have government intervention and policies that will enable a good environment for foreign and local investors to harness the power of e-commerce in increasing the country's economic worth. Already established e-commerce companies like AliBaba were x-rayed to point out how their activities have improved the economy of the location where they are found. Different types of e-commerce systems like B2B, B2C, C2C, C2B and B2G were also discussed. E- Commerce is great platform that do not only develop our infrastructural worth but also increase employment rates in Nigeria. This in turn have a huge impact in increasing economic and social growth of Nigerian economy and this is known as diversification of economy.

Keywords: E-Commerce, Economy, Diversification, B2B, B2C, C2C, C2B, B2G

1.0 Introduction

Due to the increase in the use of technological gadgets by people, e-commerce is increasingly blossoming. Today e-commerce has become an important part of daily life. Accessibility to e-commerce websites is not only for people in the urban areas but also to those in the rural settlement of our country. E-commerce websites, like Jumia, Konga are already taking the lead as alternatives for purchasing and procuring our day to day needs.

The internet is one of the highly sorted commodities nowadays. Almost all kinds of electronics are connected or can be connected to the internet to increase productivity and improve performance of usage. It is no longer news that the internet has prospered one of the emerging technology known as the Internet of things (IOT). In same manner, ecommerce have prospered as a result to the increase in the use of the internet. This is clearly seen in countries like USA, China, India, UK etc.

With increase in digital penetration all across the globe and cheap and frequent easy accessibility of internet, it is prone to increase the growth of ecommerce all across the world, meanwhile lot of traditional people are quite worried and tensed with change in pattern of sale via internet, with the availability of cheap and high speed internet with variety and security options, lot of individual and firms have connected their business with e-commerce. As in recent world it is highly impossible to grow without being available online. Thus to grow more and earn higher profit it is highly recommended to have proper structure availability and easy accessibility of online sites, because it not only determines profit and number of users but also determines the ranking and position of enterprise of the firm in overall business world .

During more than ten years' development of e-commerce in China, the scale of e-commerce industry has gradually expanded, with more and more people being engaged in this industry. A good environment including favourable infrastructure, policy and market makes e-commerce to flourish, especially since 2006; Chinese e-commerce has enjoyed a rapid development and increasing expanding market scale, entering into a period of rapid growth, with an inspiring developing trend. The financial crisis in 2008 swept the world and each country's economy is affected in different degree, while the development of e-commerce has shown us its infinite vitality. The total volume of China's e-commerce transactions in 2008 has exceeded 3 trillion Yuan, with an increase of more than forty percent compared to the same period. The year of 2009 is an e-commerce year, during which, the development of domestic B2B e-commerce has played a tremendous role in helping small and medium

enterprises tide over the difficulty, stimulating domestic demand and creating jobs. It is exactly with its unique business model and inherent potential that e-commerce has attracted widespread concern and developed a new area of study for scholars. (Liu, 2013).

Economists know that the economy of a nation is tied to the degree of its trade and commerce. There is a close relationship between e-commerce and national economy. A series of microscopic behaviour with positive effect exerted on enterprises by e-commerce will definitely lead to macro-economic development and accelerate the development of national economy. There is no doubt that e-commerce can promote the transformation of economic growth pattern. It not only injects new vitality into more high-tech companies, drive the structure optimization and upgrade the traditional industries, but also become the growth point for economic development. Hence, with the increasing economic globalization and development of information technology, e-commerce without doubt can breed economic diversification. In fact, this paper seeks to present e-commerce as a means to help in diversifying the economy of Nigeria. E-commerce can positively impact on Nigeria's economic growth, which will help our country to exert subsequent advantages and seize the favourable opportunities of the development of e-commerce in order to realize the economic surpassing strategy for this century.

2.0 Literature Review

Various studies have shown that ecommerce is a force to reckon with for economic diversification. Anuj K., Fayaz F. & Kapoor N. (2018) in their survey of e-commerce in India stated that there is an upward growth of the nation's revenue as a result of the increase in m-commerce and digital penetration in India .Government policies and initiatives has also lead to increase of e-commerce in India . According to the survey , role of cashless economy in India has increased significantly , thus the role of internet also likewise other such government policies have also had a major impact . the study also showed that literacy rate and unemployment rate have also contributed to the growth of e-commerce industry in India .

Liu S. (2013) confirmed that during more than ten years' development of e-commerce in China, the scale of e-commerce industry has gradually expanded, with more and more people being engaged in this industry. A good environment including favourable infrastructure, policy and market makes e-commerce to flourish, especially since 2006. Chinese e-commerce has enjoyed a rapid development and increasing expanding market scale, entering into a period of rapid growth, with an inspiring developing trend.

According to Liu S. (2013), the gross domestic product (GDP) is considered to be a relatively good indicator to reflect the economic development level. The analysis of the mechanism of e-commerce's effects on economic growth is based on the expenditure method of GDP accounting. According to the expenditure method, GDP is composed of consumption, investment, government purchase and net export, which is $GDP = C + I + G + (X - M)$ by formula.

Anuj K., Fayaz F. & Kapoor N. (2018) also opined that the cashless economy and role of internet in the lives of the citizens of India has contributed to rise in e-commerce. They went ahead to buttress that the rising trend in 3G and 4G internet services are part of the boost to such economic growth.

Liu S. (2013) posited that the development of e-commerce has led to the development of some emerging industries such as logistics, and created more jobs in industries such as computers and the internet, thus improving the economy of the nation.

3.0 What is E-commerce?

There is no general definition of electronic commerce , but generally e-commerce is defined as E-commerce (electronic commerce or EC) is the buying and selling of goods and services, or the transmitting of funds or data, over an electronic network, primarily the internet but also all other activities which are associated with any transaction such as:

- Delivery
- Payment facilitation,
- Supply chain and service management

E-commerce increases the growth of online business. It can be categorized under online marketing, online advertising, online sales, Product delivery, Product service, online billing and online payments

Thus, electronic commerce deals with all the work loads related to internet. It also describes the exchange of data between the financing, billing and payment aspects of e-business transactions. Generally e-commerce and e-business are used interchangeably. (Anuj K., Fayaz F. & Kapoor N., 2018)

3.1 Types of E-Commerce

There are different types of e-commerce, According to Anuj K., Fayaz F. & Kapoor N. (2018), the five basic types of e-commerce are:

- 1- Business – To-Business (B2B) – it comprises of all electronic transactions of good or services conducted between 2 companies. This type of e-commerce includes intra system and electronic markets.
- 2- Business To Customer (B2C) - This transaction carried out in the retail trade with individual buyers. This typical buyer of any store on the site is a consumer or a buyer
- 3- Customer To Customer (C2C) - in this type of e-commerce consumer sells its product directly to consumer
- 4- Customer To Business (C2B) - In this category of e -commerce, individual consumer of goods or services sells their product to organisation.
- 5- Business To Government (B2G) – In this e-commerce section it compromises of commerce between companies and government sector.

4.0 E-Commerce in Nigeria

Nigeria's economy is gradually becoming cashless, as digital payment and electronic banking are implemented in phases across most states of the federation, which began in Lagos as a pilot in 2012. At present, the adoption of electronic transactions are continuously increasing, with ATM transactions dominating the volume of electronic transactions and the Nigerian Inter-Bank Settlement System Instant Payment dominating in value. The cashless policy has resulted in increasing demand for ATM services deployed in major cities and commercial centres across Nigeria, such as Lagos, Port Harcourt, Enugu, Onitsha, Ibadan, Kaduna, Kano, and Calabar, to facilitate electronic banking and financial services.

The demand for electronic transactions has attracted payment facilitators from Europe and Asia who are investing in Nigerian electronic infrastructure projects. Online commerce and financial technology in Nigeria is strengthened by fast growing youth populations, expanding consumer power, and increased smartphone penetration. The current e-commerce spending in Nigeria is estimated at \$12 billion, and is projected to reach \$75 billion in revenues per annum by 2025 (Fiorini, R., Hattingh, D., Maclaren, A., Russo, B., & Sun-Basorun, A., 2013).

4.1 E-Commerce in Nigeria: Major Key Players

Jumia: Africa Internet Group owns online retailer Jumia and 9 other e-ventures. Its best-known venture is online retailer Jumia, one of Africa's better funded startups. Since its inception in Lagos in 2012, Jumia now operates in 14

African countries selling everything from diapers to iPhones and microwaves. In 2016, the venture funded company reached a billion-dollar valuation, and reported revenues of \$149.6 million in 2018. In April 2019, Jumia listed on the New York Stock Exchange (NYSE) at a valuation of \$1.1 billion and recorded a surge in sales arising from its NYSE debut.

Konga: Konga was set up in 2012 as a competitor to Jumia, selling a wide range of products from home appliances to groceries. It merged with Yudala in May 2018 but continued to operate under the Konga brand name. In November 2016, Konga launched Yakata, its version of black Friday sales and reached over 155,000 orders, valued at nearly ₦3.5 billion for the month alone. Most reports monitored around early 2019 indicate that the major e-commerce businesses in Nigeria are yet to experience any notable profit margins.

Social Media: Nigeria is ranked number 7 for internet users in the world. In 2018, about 22.4 million (11.2%) Nigerians were active Facebook users each month, Twitter ranked second with 8.35%, Pinterest ranked third with 7.08%, while many others also accessed YouTube. The popularity of social media in Nigeria increases with mobile penetration and as data costs fall. Access to local social media sites has also increased, and Nigerians are highly influenced by well-crafted social media advertising. In line with the increasing internet penetration in Nigeria and use of social media by corporate organizations, the U.S Commercial Service Nigeria established its presence on social media in 2018, starting with Twitter.

4.2 Areas E-Commerce have helped in diversifying the Nigerian Economy

There is an increase in a digital penetration in Nigeria ie more smartphones are utilized by the people of Nigeria. This increases revenue through mobile apps of these major key players

1. Internet Service Providers: E-commerce would not be possible without the use of the internet. Internet service providers (ISP) are making huge revenues because everyone who owns a mobile smartphone would like to buy internet subscriptions.
2. Telecommunication: telecommunication giants like Glo, MTN, 9Mobile, Airtel, Spectranet etc. are making huge profit through SMS, data and calls. Online buyers make calls or send sms to the e-commerce representatives to be sure that what they want is available. They further use data subscribed from any of these telecom companies to browse product and make online payment. This increases the revenue of the country.

3. Logistic: Logistic business have taken a new shift since e-commerce commenced in Nigeria. DHL, TNT, NIPOST SpeedPost are all increasing their profits as a result of the growth of e-commerce.
4. Transportation: When a product is purchased, some e-commerce sites use the commercial transport to convey their product to the customers. This has added to the profits of the transportation industry in Nigeria.
5. Education: Technology has taken centre stage in our dispensation and every one want to know how to operate technological gadget especially the computer and mobile phone. This has resulted to the raise of training centre dedicated to training people on how to use these devices and appreciate its use in our dispensation. When people don't know how to use a device, they oppose change but when they can use such devices, they embrace such changes and technological changes have come to stay and so e-commerce.
6. Working across borders: E-commerce does not enable us to sell and buy products alone but services inclusive. Those with special skills can advertise them on e-commerce platforms and can be call to render such services in places outside their abode. This can take a builder from Afikpo in Ebonyi State to Warri, Delta State.
7. Financial Institutions; The financial institution are those in the forefront of reaping the growth of e-commerce. All payment are made with our debit card and for one to get a debit card from a bank, some charges are made. This contributes greatly to the huge profits banks declare at the end of every financial year.

5.0 Conclusion

This paper has revealed that there are many areas that are benefiting directly from its operation and the government should do everything possible to sustain the tempo through encouraging more citizens to embrace e-commerce. The Nigerian government have towed that line. The National Information Technology Development Agency (NITDA), has a mandate which includes the establishment of a National Electronic Commerce Council (NECC) to govern all electronic commerce affairs in Nigeria and to facilitate international trade through an e-commerce infrastructure and the implementation of the Nigerian National Policy on Information Technology (IT). With the foregoing policies and legislative strides taken by the Nigerian Government towards the regulation of e-Commerce it is obvious that the challenges facing it may soon be properly

dealt with from the legal framework. Even then the more daunting work of enforcement of codes and standards would need to be pursued.

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