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Examining the Extant Rules and Policies Governing the Use of Electronic Commerce for Transactions among Consumers in Southwestern Nigeria

O. A. Adeyemo^{1*} and T. O. Oyebisi²

¹Computer Science Programme, Afe Babalola University, Ado-Ekiti, Nigeria

²African Institute for Science Policy and Innovations, Obafemi Awolowo University, Ile-Ife, Nigeria

*Corresponding author's email address: adeyemo@abuad.edu.ng

ABSTRACT

The purpose of this study is to examine the extant rules and policies governing the use of Electronic Commerce (EC) for transactions among consumers in Southwestern Nigeria with a view to support its importance in strengthening the adoption of EC for Southwestern Nigeria to take full advantage of its benefits. The study employed survey method and primary data were obtained through questionnaire administered face-to-face to 300 selected consumers. Participants were mostly in the active age group of 18-50 years and this is because they are the earliest adopters of technology. The questionnaire elicited information on the extant rules and policies governing Electronic Commerce in Southwestern Nigeria and measured variables such as existence of policy, effectiveness of policy, knowledge of user protection, adequacy, and financial protection among others. Furthermore, the harvested data were subjected to relevant descriptive statistical analysis. The results showed that consumers agree (on a five-item scale where; lowest =1, highest= 5) that financial and banking policies exist (4.00) to govern electronic payments for Electronic Commerce transactions, and the other policies cum institutions are inadequate (1.86) and ineffective (1.57). The study concluded that Southwestern Nigeria can take full advantage of the growing adoption of Electronic Commerce in Southwestern Nigeria if merchants and government put in place adequate policies, institutions, and technical infrastructures.

Keyword: Electronic Commerce, Transactions, Consumers, Extant Rules and Policies

INTRODUCTION

Electronic Commerce (EC) has been defined as the process of buying, selling, transferring or exchanging products, services and/or information via computer networks, including the Internet (Turban *et al.*, 2008). EC has also made major inroads and impact in the developed world both in large organizations and also in Small and Medium-sized Enterprises (SMEs) (Grandon and Pearson, 2004; Kartiwi and McGregor, 2007). It has also been attributed to the way business and in fact global businesses are conducted these days because it presents to organizations new ways to expand a competitive market, survive in an industry, streamline the enormous processes involved in corporate business, and above all, help to deliver services and products in an efficient and effective manner by acting as the catalyst in customer retention while using minimized costs for carrying out all these operations and activities (Yasin *et al.*, 2006).

EC has however not been without its own challenges. The development and growth of EC has experienced both sudden “boom” and “bust” phases for a number of reasons in the past years (Dwivedi *et al.*, 2008). In 2012, the sales from Business-to-Consumer (B2C) EC which is one of the fastest growing categories of EC grew 21.1 % to top 1 Trillion Dollars for the first time (eMarketer, 2013). The Nigerian telecommunications industry has been referred to as the fastest growing telecommunications industry in Africa and this is providing opportunities for the exploitation of EC by businesses (Ayo *et al.*, 2007).

Nigeria, in recent times is taking advantage of the benefits of EC and the availability and increasing usage of Internet has increased the adoption of EC in Nigeria, particularly in business (Ekong *et al.*, 2012; Lawal and Ogbu, 2015). However, the adoption and usage of EC has been said to depend on a few factors thereby making full advantage of its adoption a key. This is because the adoption of new innovation and technology is one of the major areas in Information and Communications Technology (ICT) that has been researched extensively to underscore not just the importance it presents but also to determine the primary factors influencing people to adopt technologies and implement them in their activities.

An earlier study showed that the legal and policy environment, a component of e-readiness is fundamental to the adoption of EC (Mutula and Brakel, 2006; Uzoka *et al.*, 2007). E-readiness represents the capability of nations to create, adopt, diffuse and use various components of the networked economy and this made the rankings of e-readiness survey to be used as a benchmark for a country seeking to harness the Internet’s potential to drive business efficiency and be relevant in the global economy (Lane *et al.*, 2004). Al-hudhaif and Alkubeyyer (2011) noted that previous studies of EC adoption were centered on the environmental, infrastructural and government areas only while organizational factors were ignored. The results of their findings further showed that the first step in the adoption of EC and related decisions are heavily dependent on external factors, such as market forces as well as the supporting e-readiness of industries and the effect of government e-readiness and support which includes infrastructural support, legal and policy initiatives.

However, the business world in developed countries has been characterized by debate over the value and effectiveness of internet-based companies because there have been many examples of failure caused by unrealistic expectation which led to the abandonment of tried and tested business rules (Pather *et al.*, 2006). At present, it is the international institutions that influence the laws, regulations and policies in developing countries as regarding the compatibility of EC and use of the Internet for transactions (Raghunath and Panga, 2013). The adoption of EC in developed countries has also been said to differ significantly from developing countries because of the different perceptions on the necessary and existing financial, legal and physical infrastructure and frameworks (Al-hudhaif and Alkubeyyer, 2011; Kuzic *et al.*, 2002). Consequently, it is therefore necessary for Nigeria to be clearer on her policies on EC for transactions by consumers in order to achieve success and sustainability in the industry. The purpose of this study is to examine the extant rules and policies governing the use of EC for transactions among consumers in Southwestern Nigeria, this is with a view to support its importance in strengthening adoption of EC for Southwestern Nigeria to take full advantage of its benefits.

Policy and Legal Framework for Electronic Commerce in Nigeria

The rise of the use of the Internet has no doubt helped to improve the way we do things. Not only has it brought the world together, it has also provided newer challenges especially in the area of legal and socio-economic issues. Nigeria is not an exception because there has been significant risks and threats posed by the increasing dependence on the Internet for resources and more specifically information as experienced worldwide.

It has even been emphasized that consumers face a number of risks arising from the general lack of understanding of the operations of the Internet (Akomoledede, 2008; Idigbe, 2010). This is largely due to a number of legal issues that have already been addressed in developed countries. These issues include the extent to which the communication between parties is protected, the formation of a contract on the Internet, the legal means of effecting payment in EC, and the type of court that will assume jurisdiction in the event of a dispute between the parties on contract via the Internet. Other important issues are based on trust, security and cybercrime, which are all threatening the EC industry (Akomoledede, 2008).

Akomoledede (2008) and Ariyoosu (2012) concluded that there is no elaborate legal and regulatory framework for EC in Nigeria presently but there are pockets of commercial legislation guiding commercial transactions applicable to EC. There are however some efforts ongoing at regulating EC related activities but these are still at the stage of Draft Bills before the National Assembly. The Nigerian Policy on Information Technology has not yet also fulfilled its cause and the National Information Technology Development Agency (NITDA) that is responsible for the implementation of Information Technology policy has not been very effective in achieving their objectives (Akomoledede, 2008).

A number of bills currently before the National Assembly that are parts of the effort to regulate EC include the cyber security and Information Protection bill, the electronic transactions Protection Bill of 2010, the National Internal Security Bill of 2009, and the Security Communications Interception and Monitoring Bill of 2009. Others are the Critical Infrastructure Protection Bill of 2009, the Computer Security and Protection Bill of 2009, the Electronic Commerce (Provision of Legal Recognition) Bill of 2008, the Electronic Fraud (Protection) Bill, the Nigerian Antitrust (enforcement ,miscellaneous Provisions) Bill of 2008, the Cyber Security and Data Protection Agency (Establishment) Bill of 2008, the Nigerian Bill on Cyber Crimes and the Electronic Transactions Bill (UNCITRAL) and the Nigerian Information Technology development Agency Bill of 2005 (Idigbe, 2010). It is therefore recommended that the National Assembly be pressurized into making bills concerning EC a top priority so that they can be enacted into law as possible (Akomoledede, 2008).

Bamodu (2005) posited in his findings that it is time to address EC in detail by our legislators and policy makers to ensure the effectiveness of the ensuing policies and legal roles while at the same time allowing for the continued growth of dynamic economic activities. The absence of legacy EC legislation at the individual member state level is believed may provide an opportunity for Economic Community of West African States (ECOWAS) and West African Economic and Monetary Union (WAEMU) to jump-start the process by creating a model of EC legislation that can be implemented without the extensive harmonization efforts that would be required if legislation existed in one or more member countries. It is however necessary to also know that EC will also require financial and banking frameworks that allows for electronic payments and transfers among others (Ma'aruf and Abdulkadir, 2012).

A study by Makameet *al.* (2014) concluded that National Policy initiatives by government have proved to have positive effects on EC. The government is supposed to facilitate the provision of good environment for development, particularly in the area of EC. Jamwal *et al.* (2009) is of the opinion that there should be ICT policies and EC legislation in order to promote its adoption. Studies have also shown that government policies also pose significant challenges to adoption of EC in developing countries. Kshetri and Dholekia (2002) concluded that policy initiatives in the right direction can promote EC adoption and usage.

Brief History of Electronic Commerce in Nigeria

The Nigerian economy is a middle income, mixed economy and emerging market in the world today in the area of ICT. In 2009, Nigeria's economy was ranked as 31st in the world in terms of GDP (PPP) and its emergent, through currently underpinning manufacturing sector is the second largest on the continent

(Ma'aruf and Abdulkadir, 2012). It is on record that in the past few years, Nigerian banks embraced electronic banking which has been made possible courtesy of the advancement in information-based technology. Electronic payment products were introduced in 1996 when the CBN granted Allstates Trust Bank approval to introduce a closed system electronic purse called ESCA (Ma'aruf and Abdulkadir, 2012). Other approvals have followed suit and most recently, the “cashless policy”, and service delivery have been enhanced by the approval and deployment of Automated Teller Machines (ATM) by all banks to facilitate cards usage and the development and implementation of electronic banking websites by all banks have all impacted positively on the landscape of ICT in commerce and economy at large.

About a decade ago, EC websites were rare in Nigeria, but are now fast becoming prominent with the introduction of many, and patronage is gradually increasing while investors are ploughing more money to the EC technology. Kano, a State in Nigeria from the Northern part of Nigeria has recently begun an EC project. This may be seen as a turning point in the history of commerce because the prominent areas of the country that begun EC about a decade ago are from the southern part and are largely reaping the benefits in terms of firm productivity and increasing economies of scale. The pronouncement was made by the Governor, RabiuKwankwaso while launching collaboration with eTranzact International PLC, Africa's leading provider of mobile banking and payments and Bizi mobile, an indigenous IT firm.

Consequently, going by the way EC is emerging and the growth it has brought, Nigeria will be the major player in the EC industry in Africa. Eze (2013) concluded that effective satisfactory results will be accomplished if all concerned bodies work together. Furthermore, the lack of legislation to guarantee the legality of online transactions in WEC continues to create fear in the mind of users and potential online users (Eze, 2013).

Electronic Commerce in Developed Countries

The growth witnessed in the adoption and use of B2C EC in the developed countries has been tremendous and continuously on the upward trend. Asia-Pacific countries as at 2012 were expected to surpass North America in B2C EC spending. In 2013, sales grew 18.3 % to 1.298 Trillion Dollars worldwide according to eMarketer (2013) estimates and Asia-Pacific surpassed North America to become the world's number one market for B2C EC sales. However, the United States remains the single country with the largest share of worldwide B2C EC spending while China is expected to close the gap faster in the shortest possible time. It was forecast that by 2016, that China will have 22.6 % of the worldwide market as against 26.5 % in the United States.

The top five developed countries ranked by B2C EC sales as at 2013 are the United States, China, United Kingdom, Japan and Germany respectively (eMarketer, 2013). However, the widespread use and increasingly affordable mobile devices is increasing the share of the United States' EC site traffic by 5 % to surpass the use of desktop. (eMarketer, 2014). It has however been projected that EC sales worldwide will increase in 2016 greatly and the number of digital buyers worldwide will reach 1,321.4 million in all the regions of the world combined (eMarketer, 2013). The developed countries are experiencing a pressure on more EC sales which are gradually taking over traditional retail sales in all kinds of services and products.

Research Variables

- i. *Existence of Policy:* This refers to the existence of policy, type, act, decree, framework or organizational wide policy. What does the policy currently support in terms of establishment, development, implementation, utilization and organization in general? Also, does there exist legal and policy institutions for EC?
- ii. *Effectiveness of Policy:* This can be defined as the effectiveness and operations of policy and legal roles, compliance with global policy and standards, Nigerian government legal and policy institutions at handling EC in general.

- iii. *Knowledge of User Protection:* This is concerned about the clarity, understanding, and knowledge of policies. Also, the legal help availability and support for legal help, user awareness, reduced risk, etc.
- iv. *Adequacy:* This refers to the extent to which consumers believe that policies are adequate and sufficient to protect them. Also, the adequacy of legal and policy frameworks, and acceptability of policies.
- v. *Financial Protection:* This refers to the extent to which the consumers believe that there exist appropriate financial and banking policies governing electronic payments for transactions.
- vi. *Assistance:* Many consumers are afraid that their identity is at risk. This refers to consumers’ assessment of how easily they can get legal help and support for any risk, failure, and unexpected circumstances that may arise in the use of EC for transactions.
- vii. *Foreign Merchant Preference:* The consumer believes and has preference for foreign EC merchants because they have more acceptable and appropriate policies. Also, that they follow global standards in the conduct of their EC business.

RESEARCH METHODOLOGY

Study Area

This study was conducted in Southwestern Nigeria. Southwestern Nigeria is one of the six geo-political zones of Nigeria. The study area comprises six of the thirty-six states and Federal Capital Territory (FCT) in Nigeria and lies to the south and to the west of the River Niger in Nigeria. The Southwestern geographical zone was considered for an in-depth study and analysis, and the zone consists of six states namely: Lagos, Osun, Oyo, Ondo, Ogun and Ekiti. The respondents were in the active age group of 18-50 years. This may be because they adopt technology earlier than others.

Population and Sampling

The population of the study comprised of all the active age groups in the south western zone of Nigeria. Copies of the questionnaire were administered among the states (50 respondents each) in Southwestern Nigeria. Respondents were purposively selected from the active age group of 18-50 years old making a total of three hundred (300) copies as analysed in Table 1. A total of 243 copies of filled questionnaire were deemed valid for analysis.

Table 1: Proportional Distribution of Respondents by States

State	Number of Questionnaire Administered	Number of Questionnaire Retrieved
Lagos	50	46
Ondo	50	37
Ekiti	50	38
Osun	50	40
Oyo	50	43
Ogun	50	39
Total	300	243

Purposive Sampling was utilised based on the qualities of the researcher in this area in order to make judgements that are relevant and in line with the study. The questionnaire was aimed at knowing the extant policies and rules governing the use of EC for transactions among consumers. That is, what are the consumers aware of regarding policy? It is structured to provide information on what the consumers know concerning availability, existence, and effectiveness of policy among others that govern EC in Southwestern Nigeria.

Validity and Reliability of Questionnaire

In order to ascertain the validity of the research instrument, a pilot test was conducted by administering questionnaire on various categories of respondents in Oyo and Osogbo in Oyo and Osun states of Nigeria respectively. During administration, the respondents were observed closely to check for signs indicating problems such as respondents not understanding or unable to answer the questions, the length of the questionnaire and completion time. Reliability test was carried out to check the internal consistency of the research instrument i.e. a measure of the homogeneity of purpose. The reliability of the measurement scales was carried out using the Cronbach Alpha reliability test and it was discovered that major items that addressed the study objective are reliable measures of the variables of interest to the researcher. The Cronbach Alpha is 0.787 for examination of the extant policies governing use of EC for transactions among consumers in Southwestern Nigeria. This is within the acceptable values and it was concluded that the measurements scale used in this study are acceptable and reliable.

Data Analysis

Data collected were coded and analysed using different descriptive statistics with the aid of SPSS 20.0 statistical package. The descriptive data analysis involved measure of frequency counts, percentage distribution, and weighted averages. Table 2 shows the distribution of responses among respondents and the mean of the responses from the respondents regarding the parameters.

Table 2: Distribution of Respondents by Extant Rules and Policies Governing Use of EC for Transactions among Consumers in Southwestern Nigeria

S/N	Statements Extant Rules and policies	Level of Agreement (%) n=7					Mean	
		Strongly Agree	Agree	Disagree	Strongly Disagree	Indifferent		
1	Existence	3	49	16	35	115	25	2.04
2	Effectiveness	8	126	21	57	8	23	3.31
3	Adequacy	15	40	48	102	13	25	2.73
4	Knowledge	31	62	26	71	20	33	3.06
5	Financial Protection	28	98	40	43	13	21	3.38
6	Assistance	24	72	42	73	8	24	3.14
7	Foreign Merchant Preference	29	60	25	68	19	42	3.06

Scale: 1(Indifferent), 2 (Strongly Disagree), 3 (Disagree), 4 (Agree), and 5 (Strongly Agree)

RESULTS AND DISCUSSION

The variables used in the study were measured on a 5-point Likert scale anchored by 1(Indifferent), 2 (Strongly Disagree), 3 (Disagree), 4 (Agree), and 5 (Strongly Agree). The literature indicates that efforts are ongoing at regulating EC related activities, but they are still draft bills before the National Assembly (Akomoledé, 2008). The existence of policy in this study is based on knowing what policy exists for EC

for its activities such as establishment, development, implementation, utilization and general management including the existence of policy and legal institutions. Table 2 shows the respondents responses regarding the aim of the study. Hence, the mean value (2.04) of their responses shows that there is lack of awareness of any existing policy guiding the use of EC for transaction.

The effectiveness of policies for EC transactions is imperative and must be addressed. The legislators and policy makers have been picked on to ensure the effectiveness of the ensuing policies and legal roles (Bamodu, 2005). In addition, the mean value (3.31) indicated that they are not aware that the policies are effective and are in operation. Table 4 further shows that majority of the respondents strongly disagree that the policies are adequate and sufficient to protect the consumer. The mean value (2.73) of their responses shows that the policies available are not adequate and sufficient to protect the consumer. Hence, the mean value (3.06) of their responses further indicated that consumers lack the understanding of policies that exist for consumer protection in EC transaction. The result also shows that there are limited financial and banking policies governing electronic payments for transactions. Consequently, the mean value (3.14) from the table shows that legal help and support is not readily available for any risk or unexpected circumstance that may happen as a result of engaging in transactions on EC and the mean value (3.06) of their responses indicated that they do not feel more comfortable patronizing foreign EC.

CONCLUSION

This study updated information and knowledge by providing empirical evidence from the consumer's perspective on the extant policies governing the use of EC for transactions in Nigeria and on the need for increased efforts for provision of policies in order to enhance the adoption of EC in Southwestern Nigeria. The results of this work can also serve as a guide for organizations, government and policy makers and other stakeholders in order for Nigeria to take full advantage of the benefits of EC in Southwestern Nigeria. The government is advised to promote existing policies in place for the conduct of electronic commerce by giving it wide coverage to increase its awareness, knowledge and education. There should be strengthening and empowerment of necessary supporting institutions and frameworks to ensure strict compliance of policies and policy initiatives in the Electronic Commerce industry. However, the existing policies need to be continuously updated to cater for future needs and challenges in order to ensure and improve its effectiveness. Consequently, the government is encouraged to provide an enabling environment with supporting institutions and infrastructures to improve the adoption of Electronic Commerce.

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