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E-commerce, challenges, and developing countries

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ABSTRACT

The number of businesses embracing e-commerce technologies in developing countries has risen dramatically in recent years, as well as the volume of e-commerce transactions. However, this cannot yet compare with what entails in developed nations. This project examined the peculiar challenges of the growth of e-commerce in developing countries (using Nigeria as a case study). An Interpretivism research philosophy was employed for this research and qualitative and quantitative techniques were used for data collection. The study was carried out on both consumers and e-commerce operators. In the research study, a total number of 225 questionnaires were distributed to consumers, of which 200 responded adequately. A total of 10 e-commerce operators were interviewed to gain the perspective of operators.

Results of the research showed that end-users of e-commerce portals highlighted issues of security, trust and low quality of e-commerce services. Operators, however, believed that government intervention in the promotion of e-commerce could be more decisive, which would contribute to economic development. The study also revealed that e-commerce operators influenced the promotion and use of ecommerce in the developing countries, and strategies they put in place influenced the awareness of product and services.

KEYWORDS. E-commerce, Challenges, Developing countries, Case study

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INTRODUCTION

The internet has brought about the tremendous growth of e-commerce in developed and developing countries. Meharia (2012) explains that 'The dawn of e-commerce in the mid-1990s was seen by many as the beginning of an entirely radical way of buying goods and services'. The definition of e-commerce differs among academics and scholars. Jobodwana (2009) explains e-commerce to be 'the method of doing transaction across the internet.' The use of e-commerce facilitates the transaction of business between different parties over the internet in a quick and efficient way. This has given market entry strategies to those companies whose presence is not

physical. The effect of e-commerce has greatly affected the global economy in various ways. It has affected the information technology, economic sectors, and enhanced productivity. When buying and selling of products and services through the networks is known as e-commerce (Nahari & Krutz, 2011). E-commerce is about selling products and services through the means of internet communications. Before the advent of e-commerce, most business transactions were done in the traditional way in physical locations. With e-commerce, people are now able to exchange goods and services through the internet without travelling and wasting time. E-commerce transactions have encouraged the growth of businesses in different forms (Burinskienė,2012).

The emergence of e-commerce in the business sector of developed countries has brought about tremendous growth to the global economy. Measuring the strength, coverage and utilisation of e-commerce operations in developing countries requires an assessment of two views: consumers' and operators'. This research covered the consumers who patronise online businesses, and the operators who provide e-commerce services. Due to the objective of this project, consumers who have not considered patronising online businesses were not consulted. Also, companies that do not operate online businesses were not involved in this study.

E-commerce has been successfully implemented and utilised in developed countries with huge economic and social benefits. But the same cannot be said of developing countries. Several challenges have been suggested as to why e-commerce has not been a success in developing countries as recorded in the developed countries. This research will identify these challenges and also investigate the impact of e-commerce on economic growth of developing countries. These challenges will be investigated from the view point of both consumers and operators, and appropriate solutions will be proposed to address the identified challenges.

LITERATURE REVIEW

Several researches have been carried out on how e-commerce has improved business transactions globally and also the barriers that are affecting e-commerce in developing countries. E-commerce has been able to remove the duration of time in ordering, invoicing, making payment and delivery. E-commerce has greatly impacted the economy globally and this as changed the old-style of doing business transactions, service delivery etc. (Jobodwana, 2009). Makame et al., (2014), states that 'e-commerce is changing the traditional way of doing businesses at a fast rate'. It has also transformed the marketplace by changing business models, shaping between market relations and making changes to market structures. Also, it has given companies a global view of how users can relate with their products online, showing how they can engage and reward their consumers. With this, companies are able to reach targeted consumers, analyse consumer behaviour and this will enable them meet their needs and expectations, etc. Also, it will give enormous potential that will empower the people in developing countries to be able to overcome obstacles and achieve a viable economy (Oreku et al., 2009).

Factors Affecting Adoption and Utilisation of E-Commerce

Numerous factors have contributed to the slow growth of e-commerce in developing countries especially in Africa. Many of the studies that have been carried out on the adoption of e-

commerce in the developing countries have highlighted some of the problems, including consumer attitudes, infrastructure, political issues, socio-economic issues, language barriers, computer illiteracy etc. Developing countries are facing a lot of technical, legal, societal and financial problems in their adoption of e-commerce (Aleid, 2012). Most Africans have not really known the essence of e-commerce and even consumers are hesitant in giving out their personal information as a result of online fraud (Anzaki, 2014). Factors that are affecting the adoption of e-commerce are socio-economic, technological infrastructure, political, cultural and legal and regulatory (Olatokun & Bankole, 2011). There are different issues hindering e-commerce such as consumer attitudes towards e-commerce systems, privacy, security of consumers' information and trust (Wei et al., 2010)

Economic and Socio-Political
The issues of e-commerce adoption in Nigeria are centred on economic, social-political and cognitive issues. The economic issues are centred on slow internet diffusion with unavailability of credit cards and logistics. Socio-political issues are into formal and informal institution which includes legal, environmental issues and policy. Cognitive issues are the lack of awareness, language barrier and computer illiteracy (Egbokhare et al., 2011). Olusegun et al., (2006) explains that 'Some of the issues affecting the adoption of e-commerce in Nigeria are mainly security and citizen's income.' In most developing countries, consumers are bent on using the traditional e-commerce transaction because of different issue and consumers' readiness is a key factor (Awa et al., 2010).

The issues of policy initiatives, economic, social, or technological context needs to be addressed in the developing countries since e-commerce has been proven to improve the economy of countries that have adopted it (Makame et al., 2014). The poor quality of internet access, high cost of accessing the internet, and cost of personal computers are issues affecting e-commerce businesses (Rajmohan et al., 2010).

Government Policies
Many studies show that right governmental policies influence the growth of e-commerce (Burinskienė, 2012). A lot of developing countries are facing different economic challenges, such as poor governance i.e. they lack efficient leaders and government that lack knowledge and willingness to address the various economic problems. Some of the issues facing Africa are multi-varied such as political uncertainty, economic mismanagement, and poverty among others (Jobodwana, 2009). Although, a number of e-commerce activities are evolving in most developing countries, the growth has been very slow because of lack of appropriate government policies (Anzaki, 2014). Government policy is one of the issue facing developing countries.

Trust of E-Commerce System
Several works have been carried out about the issue of trust which has been a concern on e-commerce and one of the most researched aspects of e-commerce from users' perceptions. Trust has a major role to play when it comes to e-commerce because it is one of the key drivers for customers concerning their transactions (Kobayashi et al., 2013). Huamei (2013) pointed out that 'one of the main issues to online shopping is lack of trust in online purchase.' Trust is very crucial in a large community of unidentified merchants (Bazdan, 2011). Trust has a way of motivating consumers to purchase products and services which in turn will make them to go

online for these purchases. The ultimate issue of both consumers and the operators is that of trust.

Trust has been one of the issues affecting the adoption of e-commerce in developing countries. It has a major role to play on the growth of e-commerce due to the risk and uncertainty of cyber transactions (Nahari & Krutz, 2011). With the fast growth of e-commerce, the need for trust has to be addressed because of the increase of fraud which creates doubts in the mind of consumers. Hence, this factor is very necessary in building e-commerce in developing countries. Meanwhile, developed nations have been able to address the issue.

Trust is dependent on different factors as the two parties involved in a transaction, the trustor and trustee, need to have the necessary details that will show the transaction can be done; the products or services made by trustor must be delivered by the trustee through a reliable and well-secured system (Muhammad,2013). Shaozhong et.al (2012) stated that 'Trust has become an important issue on e-commerce application'. But in developing countries, many consumers find it difficult to trust e-commerce transactions.

Security and Privacy
The convenience of e-commerce has enabled consumers to access products and services remotely 24-hours round the clock, which has made e-commerce to become more popular. Although, some researchers have argued that security and privacy has restricted the full potential of e-commerce. Many customers have genuine fears on providing their private information to an unknown body over the internet, and they do not know the way their information will be handled. This attitude of consumers toward e-commerce is because of fear, fraud and online crime. In developing countries, security and privacy are serious issues on e-commerce services. (Ibikunle, 2013). Security and privacy seems to be the most significant factors in influencing the trust on e-commerce. Protecting consumers' data from online fraud can be achieved by proper security. The issue is critical to the consumers as a result they are hesitant towards giving out their personal information on the internet because of fraud (Mandić, 2009). Security and privacy has been a fundamental subject in the academic of computer science for over 30 years now (Feigenbaum et al., 2009). The issue of security and privacy has led to negative effects on the growth of e-commerce in developing countries. This has been a major concern for e-commerce operators because it is critical to the success of their online business (Antoniou & Batten, 2011).

Impacts of E-Commerce on Economy
Internet and e-commerce have brought different countries together to build a worldwide networked economy and this growth and integration of ICT has changed economies and societies. The economic importance of e-commerce is well-pronounced in changes that are created in the activities of enterprises and these changes result in an increase in productivity (Minculete & Minculete, 2013). This will impact on the people, organisations, industry and the country as a whole, which increases trading with other countries and greater opportunities for global information-sharing and marketing (Weber & Kauffman, 2011). E-commerce will allow firms to have the ability to become virtual businesses which will increase productivity (Smith, 2011).

(Research under progress)

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