

THE GROWTH OF E-COMMERCE IN NIGERIA

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Introduction

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Consequently, brands across the world have invested heavily in e-commerce to ensure that they connect with their target consumers or clients. By monitoring market trends, many of these companies have designed what is often referred to as “market-specific” advert messages, with primary attention paid to media selection, in a bid to ensure that they do not miss their potential consumers or clients. This is now creating new directions for the future of e-commerce in Nigeria, as local e-commerce companies are now actively developing plans to explore this model and reach more of their target consumers.

It may be the case that the reasons for these moves are connected to recent reports on the digital economy in Nigeria. Based on the reports on export.gov, Nigeria's economy is gradually becoming cashless. This is seen in the adoption of electronic transactions which is unceasingly on the increase, with Automated Teller Machine (ATM) transactions dominating the volume of electronic transactions and the Nigerian Inter-Bank Settlement System (NIBSS) Instant Payment dominating in value. The CBN Cashless Policy 2020 has resulted in increasing demand for ATM services deployed in major cities and commercial centres across Nigeria to facilitate electronic banking and financial services.

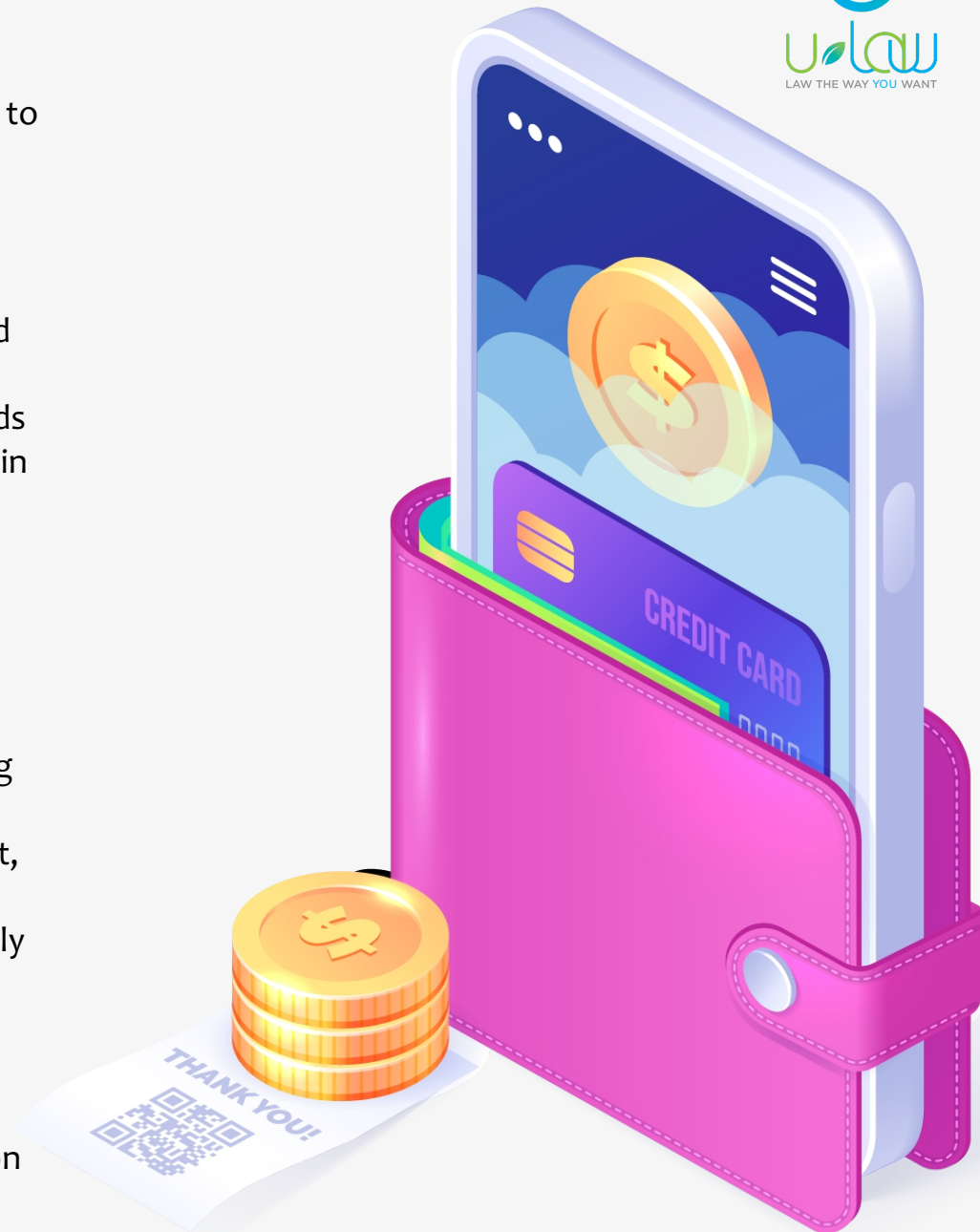


Nigeria, having integrated the electronic payments system into its financial system by encouraging electronic transactions, has reduced the flow of physical cash in the economy. This, according to export.gov, has led the e-commerce market to be recently valued at more than NGN225 billion. The reason for this growth is not difficult to fathom as Nigeria is the most populous nation in Africa, boasting 48 million internet users.

Based on the reports on export.gov, the effective adoption of electronic payments in Nigeria is gradually becoming sustainable and has consequently encouraged the entrance of payment service providers and card schemes such as Visa and MasterCard. Debit cards from many local banks are now used by Nigerians to make payment in several foreign countries. Mobile wallet services like PayPal are available to Nigerian residents and all transactions are currently denominated in the United States Dollar (USD).

Fast-growing youth populations, increasing consumer power and improved smartphone penetration have undoubtedly increased e-commerce and financial technology in Nigeria. E-commerce spending in Nigeria is currently estimated at US\$12 billion and is projected to reach US\$75 billion in revenues per annum by 2025. A FinTech analyst, Tade Adelegan, has expressed the view that: “The future of e-commerce in Nigeria is still very bright despite the challenges recently noticed in the industry”.

Despite the growth of e-commerce in Nigeria, the industry is faced with challenges that slowed down the growth rate of e-commerce business in Nigeria. One of these challenges is government legislation



on online taxation, which may turn out to be a disincentive for online shopping. Besides online taxation, another major challenge is the preference of some Nigerians to shop in physical markets that are close to their neighbourhoods.

According to feelers from Konga and Jumia, over 70% of Nigerians prefer to shop in local markets. For some Nigerians, the idea of online shopping, using their data and mobile devices, will cost more money despite the convenience. Others are however wary of logistical delays, especially in the area of delivery of purchased items.

One could say that some Nigerians are quite hesitant in embracing e-commerce due to lack of trust. The reasons for this lack of trust may include but are not limited to high levels of illiteracy; absence of express legislation that deals with e-commerce and increase in internet scams and fraud. These challenges need to be addressed with deliberate policies by the government to ensure ease of business while organisations will also benefit from creative solutions.



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