THE CHALLENGES OF GLOBALIZATION ON E-COMMERCE IN NIGERIA

BY

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DECLARATION

I declare that the work in the project report entitle “The challenges of globalization on e-commerce in Nigeria” has been performed by me in the department of political science. The information derived from the literature has been duly acknowledged in the literature and a list of reference provided. No part of this research was previously presented for another degree or diploma at any university.

Name of student Signature Date

CERTIFICATION

This is to certify that the project titled “The challenges of globalization on e-commerce in Nigeria” written by Obafemi Oluwaseun Morenike meets the regulation governing the award of the degree of Masters in International Affairs and Diplomacy (MIAD) of Ahmadu Bello University, Zaria and therefore approved for its contribution to knowledge and literacy presentation

Research SupervisorSignature Date

Head of Department Signature Date

Dean, PG School Signature Date

DEDICATION

I dedicate this project work to the Lord almighty, the Alpha and Omega.

ACKNOWLEDGEMENT

All thanks to God Almighty who saw me through this program successfully,I am grateful for journey mercies and lots more.

I am grateful to my mother, a mother and a friend indeed for her support for me every step of the way.

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ABSTRACT

Globalization is a process of creating a global market place in which increasingly all nations are forced to participate . Key elements of this process are interconnection of sovereign nations through trade and capital flow, harmonization of the economic rules that govern relationship between these sovereign nations, creating instructions to support and facilitate dependence and interconnection and creation of a global market place.

The world as we know it is shrinking, thanks to advancing technology and people around the globe are more connected to one another than ever before. As a result, corporate bodies and individuals the world over are finding themselves in a situation where they have to restructure and reposition themselves in order to efficiently utilize global resources and maximize the gains accruable from the delivery of specialized products and professional services via the global market place,the internet.

This method of doing business is termed e-commerce. E-commerce, literally meaning Electronic commerce, has evolved rapidly over the last two decades. It consist primarily of distribution, marketing, buying and selling of products or services and transfer of funds over electronic system such as the internet. It also covers a wide range of business from consumer-based retail sites, through auction and music sites, and corporate sites for business exchanges.

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CHAPTER ONE

1.0 INTRODUCTION

1.1 Background to the study

The process of globalization has come a long way since the marshal plan for Europe after the second world war when the vogue was the dismantling of the capital control in a bid to create a conducive international environment for economic development efforts. Varied channels of trade and financial channels of trade and financial integration have since been created to facilitate the attachment of this objective. For instance over the years, global trade has been greatly enhanced through various trade agreements as enunciated in the general agreements of tariffs, and trade and its recent successor, the World Trade Organization (WHO). Globalization is a process of integrating economic decision making such as the consumption, investing and saving process all across the world. It is a process of creating a global market place in which increasingly all nations are forced to participate. Key elements of this process are: interconnection of sovereign nations through trade and capital flows, harmonization of the economic rules that govern relationship between these

sovereign nations, creating instructors to support and facilitate dependence and interconnection and creation of a global market place.

Another perspective of globalization goes beyond the economic sphere. The opening which the information technology has created impact on almost all aspect of human life (culture, religion and values are all affected as people all over the world are exposed more than ever before to different and alternative views). The fear of cultural imperialism underscores a point that globalization could also be seen as a process of harmonization of different cultures and believes.

Globalization can also be defined as the process of shifting autonomous economics into the global market, the systematic integration of autonomous economics into a global system of production and distribution. This process is getting new strains in the global trading environment and placing new emphasis on international cooperation which calls for adjustment by all participating countries on the more positive side which the process is providing the means for large expansion of world trade increase for national economic growth for countries in the position to benefit. The world as we know it is shrinking, thanks to advancing technology, and people around the globe are more connected to

one another than ever before. There is also a growing interdependence of countries world-wide, through the increasing volume and variety of cross-border transactions in goods and services. As a result, corporate bodies and individuals the world over, are finding themselves in a situation where they have to restructure and reposition themselves in order to efficiently utilize global resources and maximize the gains accruable from the delivery of specialized products and professional services via the global market place called internet. This method of doing business is termed e-commerce. E-commerce, literally meaning Electronic Commerce, has evolved rapidly over the last five years. It consists primarily of the distribution, marketing, buying and selling of products or services, and transfer of funds over electronic system such as the internet. It also covers a wide range of business from consumer-based retail sites, through auction and music sites, to business exchanges between corporations.

1.2 Statement of research problem

Nigeria has not been spared from the phenomenon of globalization. Although the adverse consequences have not been pronounced the fact remains that Nigeria has become relatively more integrated into the global economic system.

The tempo intensified with the policy shift from trade and exchange controls to economic liberation from 1986. Nigeria is highly dependent on external trade while rapid inflow of capital has been stemmed largely as a result of the relatively underdeveloped state of the financial markets.

1.3 Statement of problem

1.4 Research questions

For the purpose of this project, the following research questions are posed:

(i) What type of relationship exist between globalization and e-commerce?

(ii) What impact has globalization had on the Nigerian economy?

(iii) Has globalization actually improved the trade relationship between Nigeria and other countries?

(iv) How can development be ushered in (economic development) using e-commerce?

(v) What are the factors combating against e-commerce in Nigeria?

1.5 Objectives of study

- To examine profound implications of globalization for Nigerian economy.
- To examine the impact of international integration of market for goods, services and capital.
- To analyse how development can be ushered in that is economic development through the use of e-commerce.

RESEARCH QUESTIONS

For the purpose of this project, the following research questions are posed:

(vi) What type of relationship exist between globalization and e-commerce?

(vii) What impact has globalization had on the Nigerian economy?

(viii) Has globalization actually improved the trade relationship between Nigeria and other countries?

(ix) How can development be ushered in (economic development) using e-commerce?

(x) What are the factors combating against e-commerce in Nigeria?

1.6 Significance of study

The researcher firmly believes that the result of this research work will enable Nigerian policy makers, to know that globalization is inescapable, and why we must have a proper vision of its consequence and understand how we would take advantages of its opportunities.

The study will help to show the gains that a country can achieve by engaging in e-commerce.

This study will critically distinguish the present term of globalization from the earlier globalization process.

The research study will show the process through which development can be ushered in with the use of e-commerce. The study will serve as a reference material for future and further researchers in this field of study and tends to expand the horizon of existing knowledge to a frontier.

1.5 METHODOLOGY

Sources and method of data collection

In this research work, qualitative method of inquiry was adapted,which relies on the use of secondary data. The information that served the basis of my analysis was sourced from books, periodicals, journals, internet daily's and other relevant official records and documents from business organizations (industries and companies). The research reviewed scholarly literature on the topic of study

CHAPTER TWO

2.0 Literature review and theoretical framework

2.1 Literature review

Globalization (or globalisation) describes an ongoing process by which regional economies, societies and cultures have become integrated through the globe – spanning network of communication and trade. The term is sometimes used to refer specifically to economic globalization: the integration of national economies into the international economy through trade, foreign direct investment, capital flows, migration and the spread of technology.

However, globalization is usually recognized as being driven by a combination of economic, technological, socio cultural, political and biological factors. The term can also refer to the international circulation of ideas, languages or popular culture through acculturation.

An early descsription of globalization was penned by the American entrepreneur – turned – minister Charles Taze Russel who coined the term 'corporate giants' in 1897, although it was not until the 1960s that the term began to be widely used by economists and other social scientists. The term has since then achieved

widespread use in the mainstream press by the later half of the 1980s. Since its inception, the concept of globalization has inspired numerous competing definitions and interpretations. The United Nations ESCWA has written that globalization "is a widely – used term that can be defined in a number of different ways. When used in an economic context, it refers to the reduction and removal of barriers between national borders in order to facilitate the flow of goods, capital, services and labour… considerable barriers remain to the flow of labour. Globalization is not a new phenomenon. It began in the late nineteenth century, but it slowed down during the period from the start of the First World War until the third quarter of the twentieth century. This slow down can be attributed to the inward – looking policies pursued by a number of countries in order to protect their respective industries. However, the pace of globalization picked up rapidly during the fourth quarter of the twentieth century.

Jakia Jamen writes that "a good part of globalization consists of an enormous variety of micro – processes that begin to denationalize what has been constructed as national - whether policies, capital, political subjectivity, urban spaces, temporal frames, or any other of a variety of dynamics and domains."

Tom G. Palmer of the Cato Institute defines globalization as “the diminution or elimination of state – enforced restrictions on exchange “across borders and the increasingly integrated and complex global system of production and exchange that has emerged as a result.”

Thomas L. Friedman has examined the impact of the “flattening” of the world, and argues that globalized trade, outsourcing, supply – chaining, and political forces have changed the world permanently for both better and worse. He also argues that the pace of globalization is quickening and will continue to have growing impact on business organization and practice. Noam Chomiky argues that the word globalization is also used in a doctrinal sense, to describe the neoliberal form of economic globalization.

Finally, Takis Fotopoulos argues that globalization is the result of systemic trends manifesting the market economy’s grow-or-die dynamic, following the rapid expansion of transnational corporations. Because these trends have not been offset effectively by counter-tendencies that could have emanated from trade union action and other forms of political activity, the outcome has been globalization. This is a multi-faceted and irreversible phenomenon within the system of the market economy and it is expressed as: economic globalization,

namely, the opening and deregulation of commodity, capital and labour markets which led to the present form of neoliberal globalization; political globalization, i.e., the emergence of a transnational elite and the phasing out of the all powerful nation state of the statist period: cultural globalization, i.e. the worldwide homogenization of culture; ideological globalization; technological globalization; social globalization.

The meaning of electronic commerce has changed over the last 30 years. Originally, electronic commerce meant the facilitation of commercial transactions electronically using technology such as Electronic Data Interchange (EDI) and Electronic Funds Transfer (EFT). These were both introduced in the late 1970s, allowing businesses to send commercial documents like purchase orders or invoices electronically. The growth and acceptance of credit cards automated teller machines (ATM) and telephone banking in the 1980s were also forms of electronic commerce. Another form of e-commerce was the airline reservation system typified by Sabie in the USA and Travicom in the UK.

Online shopping is an important component of electronic commerce. From the 1990s onwards, electronic commerce would additionally include enterprise resource planning systems (ERP) data mining and data ware-housing. An early

example of many-to-many electronic commerce in physical goods was the Boston computer exchange, a marketplace for used computers launched in 1982. An early online information marketplace, including online consulting, was the American Information Exchange, another pre-internet online system introduced in 1991. In 1990 Time Berners-lee invented the World Wide Web browser and transformed an academic telecommunication network into a world wide everyman everyday communication system called internet/www. Commercial enterprise on the internet was strictly prohibited until 1991. Although the internet became popular worldwide around 1994 when the first internet online shopping started, it took about five years to introduce security protocols and DSL allowing continual connection to the internet. By the end of 2000, many European and American business companies offered their services through the world wide web. Since then people began to associate a word “e-commerce” with the ability of purchasing various goods through the internet using secure protocols and electronic payment services.

Timeline

1982: Minitel was introduced nationwide in France by France Telecom and used for online ordering.

1987: Swerg begins to provide software and shareware authors means to sell their products online through an electronic Merchant account.

1990: Time Berners-Lee writes the first web browser, world wide web, using a NEXT computer.

1992: J.H. Snider and Terra Ziporyn published Future shop: How New Technologies will change the way we shop and what we buy. St. Martin's Pren. ISBN 0312063598.

1994: Netscape releases the Navigator browser in October under the code name Mozilla. Pizza Hut offers online ordering on its web page. The first online bank opens. Attempts to offer flower delivery and magazine subscriptions online. Adult materials also become commercially available as do cars and bikes. Netscape 1.0 is introduced in late 1994 SSL encryption that made transaction secure.

1995: Jeff Bezos launches Amazon.com and the first commercial-free 24 hour, internet-only radio stations, Radio HK and NetRadio start broadcasting. Dell and Ciscio begin to aggressively use internet for commercial transactions. eBay is founded by computer programmer Pierre Omidyar as Auction web.

1998: Electronic postal stamps can be purchased and downloaded for printing from the web.

1999: Business.com sold for US#75 million to ecompanies, which was purchased in 1997 for US$149.00. The peer-to-peer filesharing software Napiter launches ATG stores launches to sell decorative items for the home online.

2000: The dot-com bust.

2002: eBay acquires Paypal for $1.5 billion. Niche retail companies CSN stores and Netshops are founded with the concept of selling products through several targeted domains, rather than a central portal.

2003: Amazon.com post first yearly profit.

2007: Business.com acquired by R.H. Donnelley for $345 million.

2008: US eCommerce and online Retail sites projected to have reached $204 billion, an increase of 17 percent over 2007.

Some common applications related to electronic commerce are the following:

(i) Email

(ii) Enterprise content management

(iii) Instant managing

(iv) Newsgroups

(v) Online shopping and order tracking

(vi) Online banking

(vii) Online office suites

(viii) Domestic and international payment systems

(ix) Shopping cart software

(x) Teleconferencing

(xi) Electronic tickets

Contemporary electronic commerce involves everything from ordering “digital” content for immediate online consumption, to ordering conventional goods and services to “meta” services to facilitate other types of electronic commerce.

On the consumer level, electronic commerce is mostly conducted on the world wide web. An individual can go online to purchase anything from books or groceries to expensive items like real estate. Another example would be online banking i.e. online bill payments, buying stocks, transferring funds from one account to another and initiating wire payment to another country. All of the activities can be done with a few strokes of the keyboard.

On the institutional level, big corporations and financial institutions use the internet to exchange financial data to facilitate domestic and international business. Data integrity and security are very hot and pressing issues for electronic commerce today.

2.4 E-COMMERCE IN NIGERIA

Until 1999, Nigeria had only a few dial-up e-mail providers and a few internet service providers (ISP) operating on slow links in the country. Present ISPs provide online advertising opportunities. Internet banking security and VSAT (very-small aperture terminal) services. The economist intelligence Unit estimates that the number of internet users per 100 persons grew from 1.25 in 2004 to 1.82 in 2005.

There is progress in the sector, as illustrated by cyber-café springing up even in some of the more remote of the country. Lagos alone has more than 1,000 cyber-cafes. Businesses appreciation of the value of online communication is growing rapidly. But with low household disposable income and a restrictive infrastructure, it will still be a while before internet penetration in homes reaches a significant level.

On March 3rd 2004 the Federal Government launched a joint initiative between private-sector operators, which operate under National e-Government Strategies

Ltd. (NeGEST) and the National Information Technology Development Agency (NITDA), agency of the Federal Ministry of Science and Technology. The project aims to improve organizational performance, service delivery and the participation of ordinary citizens in the day-to-day activities of government with information and communication technologies.

2.5 Growth of e-commerce in Nigeria

Growth in e-commerce is slow but steady. The vast improvement in telecommunication services in the country, as illustrated by the explosion of subscribers and users of GSM (global system for mobile communications), is further underscored by a surge in private telecom operators (PTOs) offering “fixed wireless services”, which offer data and voice transfer. Hence, this supports internet use even in some of the more rural parts of the country. This phenomenon not only lets Nigerians communicate with the rest of the country and the world from areas that had been completely cut off, but they are also getting used to the phenomenon of modern communications including GSM, short ménage service (SMS) and e-mail. Furthermore, with the reduction in tariffs already implemented by Nigerian Telecommunications (Nitel, the national

telecom carriers) and further cuts expected, telecom service is becoming more affordable and essential to many Nigerian.

The biggest impediment to the growth of e-commerce is low PC penetration. But cheap Asian technologies and falling microchip prices have fuelled a market in clones as well as branded PCs.

The introduction of e-commerce services is hampered by a lack of public awareness on how to use the technologies. GSM phone technology (introduced in August 2001), however, is gradually drawing consumers, and there has been a rapid growth in electronic-cash-transfer services such as Western Union, Money Gram and Travelex in recent years.

Electronic banking is one area of e-commerce that has proven successful in Nigeria. Virtually all banks in Nigeria offer online, real-time banking services. Moreover, banks that cannot offer these services are increasingly losing their customers. Online, real-time banking systems have now become commonplace as customers are offered the flexibility of operating an account in any branch of their bank's network. The online service lets customers conduct a variety of banking activities in any location of a particular bank. These services include among other things, deposits, withdrawals and the issuing of drafts. Banks are also increasing

looking to card-based payment solutions beyond the widely accepted electronic purse, including debit and credit cards, but these are slow to take off. The most likely service to roll out on a large scale in Nigeria is an ATM system. A few banks started the ATM consortium in 2003 to set up ATMs across the country, and it is gearing up to raise finance.

2.6 Compliance and enforcement issues

Since e-commerce is in its infancy in Nigeria, legislators have not finalized legislation concerning compliance and enforcement. The Nigerian Communications Commission is an independent regulatory body that promotes growth in information and communication technologies

2.7 Consumer protection

There is no specific legislation concerning consumer protection and e-commerce in Nigeria.

2.8 Contract law and dispute resolution

There is no specific e-commerce legislation relating to contract law and dispute resolution in Nigeria.

2.9 Basis of taxation

The present tax law in Nigeria does not specifically account for e-commerce transactions. Present tax laws do not specifically classify e-commerce transactions in Nigeria.

2.9 E-BANKING HISTORY IN NIGERIA

These days most banks of Nigeria offer internet banking services in enabling the customers to access banking transactions online, from the suitable places like their residence or offices. The expansion and getting of Automated Teller Machines (ATMs) and credit or debit cards also control helpfully on the country's e-commerce growth. In fact, e-commerce development in Nigeria is sluggish but steady. The beginning of e-commerce services is fixed confidently by a requirement of people's information on how to make use of the brand new technologies. There has been a quick growth in Nigeria throughout the last few years in the area of electronic-cash-transfer services such as Moneygram, Western Union and Travelex. Nigerian citizens can pay, withdraw or transfer funds everywhere in the country. Nigerians citizens also can buy with their e-cards thanks to such e-payment providers as interswitch, mastercards, visa card and e-transact. The current growth and expansion of western shopping malls in

Nigeria is also awfully significant. The part of e-commerce that has expanded in Nigeria generally is e-banking. These days the greater parts of the Nigerian banks offer online and real-time banking services. Online banking systems have by now become usual for Nigerian customers as they are provided the flexibility of servicing their accounts in any branch of their bank's system.

With the take off of ATM consortium in 2003 to set up ATMS around the country, which as at today has brought about ATM'S in Nigeria, accessible with debit and credit cards.

Actually, Nigeria is far behind of other countries in offering technology of a reasonably priced cost to its inhabitants. It's at the present going ahead to arrive at the level of technological expansion most industrial countries have. Simply, a percentage development of internet users embodied the picture of the galloping Nigerian improvement.

2.5.8 THE PROCESS OF GLOBALIZATION

Adverting to the phenomenon of globalization, Gexa Feketekuty (1959 1:117) stated that "we are going through a revolution similar to the industrial revolution

in the 18th century." On practical term globalization consists of the integration of free markets, investment flows, trade and information. The process which began in early 1980s has been promoted by reduction of natural barriers, like transportation and communication cost and artificial barriers such as tarrifs, quotes and exchange controls. It has contributedIt has led to the structural transformation of firms and nations, creating new relationship and new dependencies. In response to the opportunities offered by these developments, a large and growing number of developing countries, including "NIGERIA" have voluntarily embarked on policies to liberalize their export capacity. However, deregulation and liberalization policies with respect to globalization in many cases grew out of the structural adjustment measures that were adopted, often following arm-twisting by external creditors, in the wake of the debt crisis of the 1980s. It is appropriate to treat globalization and liberalization as one because both are element of the same single phenomenon. The positive effects on trade and investment of the globalization process has been widely interpreted as offering the best opportunities for growth and development for countries that are properly integrated and even a panacea for poverty alleviation. There are widespread fears, however, about its potential adverse effects on some developing countries, especially in the sub Saharan Africa. The concern is not

without basis as countries stand great risks of marginalization if they do not possess the basic requirements for integration in the globalization process.These includes stable and growing economy; functional and efficient infrastructure, highly trained technical manpower and supportive institutioned capability.

The process of financial deregulation in the 1990s and the emergency of global financial markets was a major factor in furthering of globalization of production. Also, the role played by new technologies particularly as they converged around computer, communication, control and design technologies contributed a great deal to the process. These have made it possible for the transactional enterprises and service forms to install worldwide information and commercial network through which management can link together production, marketing and distributing facilities around the world. At the same time, there has been a dramatic growth in newer forms of international exchange resulting in multiplying financial transaction and making it to vastly exceed in financial forms, those of goods. One scholar (Dunning, J.H.) has put this phenomenon very dramatically that global financial integration is “the end of geography.”

Since capital transfer is usually accompanied by transfer of technology, this has engendered further growth in arrangement involving licensing, franchising,

management contract and various forms of sub-contracting. These has, therefore resulted in increasing number of joint ventures among firms of different countries, specifically undertaking research and product development. Increasingly, national commercial competitiveness has come to depend on technological capabilities, on the possession of various forms of knowledge and access to information. Naturally, owners of such knowledge want to preserve control over them and those who want to acquire it are keenly competing for it, although developing countries are benefit of these newly important assets, they recognize the crucial role they can plan on development.

2.5.9 OVERVIEW OF GLOBALIZATION

The advances in information and telecommunication technologies, trends towards the building of trade because the liberal economic philosophy embodied on the world wide structural adjustment programmes sweeping both the developed and developing economies and the liberalization of world trade contained in the Marakesh Agreement which concludes the Uruguay Round of Multilateral trade negotiation in 1995, including the establishment of World Trade Organization (WTO), have resulted in the globalization of world production process as well as financial institutions and markets. It is important to underline

the fact that globalization has resulted in the increasing integration of the real sector markets for goods and services as well as the financial markets for internet and exchange rates.

Globalization has transformed the centres of the financial industry in a profound way by altering the size and structure of the firms that compose it. Globalization has not only transformed the structure of the financial industry but also the wholesale financial market as evidenced by the lowering of the traditional barriers between commercial banking investment, insurance and asset management.

2.6 THE CHALLENGES AND OPPORTUNITIES OF GLOBALIZATION

Globalization has profound implications for developing countries, it created important new opportunities, wide markets for trade, improved access to technology. Globalization is a process of intensified interdependence which makes it impossible for any one country to isolate itself and develop. The argument is that globalization makes it possible for all nations to benefit from interdependence. Interdependence is manifested in the increasing economic linkage among countries through trade and financial flows. It has, however been argued that interdependence entails amplified risks and uncertainty.

Globalization has both positive and negative effects, which are opportunities and challenges respectively. The positive effects or benefits are numerous and they include increased specialization and efficiency, better quality products at reduced prices, economics of scale on production competitiveness and increased output, technological improvement and increase managerial capabilities. The increase in world trade and output made possible through globalization, ensures that consumers derive the best satisfaction since the best standard of quality are maintained through specialization and competition. In addition, the volume of goods and services increases with the welfare of individuals enhanced across countries. Again another major challenge to all countries, but particularly, developing countries with this context is how to manage this risk and handle the uncertainty. The challenge now is for Nigeria to use the enormous resources it has to build a coherent, internally consistent, self-sustaining economy which will be competitive on the world market and can access the various international institutions available to facilitate economic development.

The increase in FDI flows facilitates the growth in world trade and global output by increasing the international mobility of capital and ensuring efficient use of technology and other resources on production process. Through investment and trade, firms specialize in production, with trade facilitating the process through

specialization, these process help to increase global wealth, enhance living standard, ensure poverty reduction and improve welfare for the individual.

With respect to e-commerce, globalization faces a big challenge, since e-commerce is the buying and selling on the internet and globalization is trading between countries without barriers, a low level internet scheme can reduce increase in globalization so the absence of internet in a country can hinder globalization. If Nigeria should have a free internet system, the trading of goods and services would be facilitated and globalization enhanced so the absence of the internet system is a big challenge for globalization.

2.6.1 MERIT AND DEMERIT OF GLOBALIZATION

Merits of globalization are numerous, but due to the nature of the study the following are considered.

(i) Globalization of the world economy can bring immense benefits to countries that are able to harness the resulting opportunities to the proper development of their material and human resources endowments.

(ii) In general, it brings about globalization efficiency in the utilization of world productive resources.

(iii) It increases the tendency to establish more competitive production structures which tend to be more efficient and this result on productivity gain.

(iv) The removal or reduction of trade barriers which is an important feature of globalization of the goods and services markets which is expected to increase world output and trade which is much easier through the internet.

2.6.2 DEMERITS

Simultaneously with the offer of greater opportunities for increasing economic growth and development, globalization also imposes important challenges which may be seen as the demerits of the growing global village especially from the point of view of the developing countries. These are:

(i) Lack of the regard degree of sophistication on the part of the managers of emerging financial markets to match those of their counterpart on the developed countries.

(ii) Inferior level of technological development as reflected on the law level of or absence of computerization.

(iii) Poor infrastructure facilities for banking (financial operation) compared to what obtains on the industrial economies and even the emerging or transaction of financial markets in developing countries.

(iv) Another problem is the greater regulatory or supervisory burden imposed on the official oversight of the financial system.

2.6.3 GLOBALIZATION AND THE FINANCIAL MELTDOWN

The global economic crisis has rattled markets and economies across the globe and is duration is very unpredictable. Because of its pervasive impact and uncertainty the crisis has continued to dominate national and international economic discourse; and world political leaders and ordinary citizens now share concern about it.

2.7 OVERVIEW OF THE CRISIS (FINANCIAL MELT DOWN)

The crisis that started in the United States in late 2008 has since become a major concern for political leaders, economists and managers of financial institutions around the globe as its impact has gone beyond the borders of the United States. Analysts have noted its numerous causes including excessive corrupt practices, particularly the sub-prime mortgage lending that led to high mortgage default and delinquency rates in the United States, the “hands-off approach to regulation of George W. Bush (or greed and unregulated capitalism), massive funding of the

"war on terrorism", and erroneous belief that "free market" principle is perfect, fair and efficient (The New York Times, Nov. 20, 2008). Others have observed that "financial instability is caused largely by inconsistent and unsustainable macros-economic policy, weak financial systems and institutions, and poor structure of international financial markets (Eichengran 2004).Yet it is possible that the crisis was caused by nature or regular economic boom-bust cycle.

The global crisis has slowed down economic activities around the world as it has affected productivity business operations and investments by way of reducing domestic and international demand for goods and services. It has pushed up unemployment as many industries and organizations are shedding off workers, affected global oil prices, exchange and interest rates, and national income and budgets. However, not every nation has done a good job in managing the challenges. While some nations have rolled out various bailout and stimulus plans to assist their citizens and troubled financial institutions/organizations that are the hub of their economy, others remain passive. Nigeria is among the nations that are yet to tackle the challenges of global economic crisis.

Here are a few implications of the recent meltdown on the Nigerian economy.

First, as an immediate consequence, it aggravated the ongoing stock market crisis. As of the third week of December 2008, it was reported that foreign portfolio investors have withdrawn some US$15 billion from our capital markets. Such massive withdrawals compounded the crisis of confidence which will further complicate the capital market recovery process.

Secondly, dwindling petroleum prices mean a severe reduction in foreign exchange earnings, which, in our case derive overwhelmingly from the petroleum sector. Some experts are predicting that petroleum prices may come down to as low as US$30 per barrel over the coming years. Others believe we are approaching a stabilization point where the price may hold for sometime. Hardly anyone imagines that prices would recover to the levels exceeding the US$100 that was witnessed in 2007.

Thirdly, lower revenue expectations through all tiers of government means reduction of funds for much needed investment in infrastructures development. This would not only deepen the infrastructure finance gap, it would also bedim the prospects for our much-vaunted vision 2020 project.

Fourthly, we would have to reckon with reduction in net capital flowing both in terms of investment and concessional resources. Whilst we may not be major

recipients of official development assistance (ODA), we do benefit significantly from bilateral and multilateral aid resources, which are often the soft target when developed countries face a major financial crisis. Inevitably, investment flows, both in terms of FDI and portfolio, are likely to be affected, in addition to remittances from the Nigeria Diaspora, which, according to some calculations exceed US$2 billion annually.

2.8 HOW THE MELTDOWN AFFECTED E-COMMERCE

The financial meltdown did not badly affect e-commerce. Though it may have some lean patches in the last year, it recovered quickly and has the growth potential over next year. The harsh economic situation drove companies to choose online retailing as it has more efficient solutions with easily measurable result at lower costs. However, it did not disappoint them, as e-commerce was not much affected by the crisis.

E-commerce spending recorded a 3 percent year-over-year growth in the fourth quarter of 2009 signaling a positive note for the year 2010 amd 2011. According to a latest coinscore report, online retail spending crossed $39 billion in fourth quarter 2009 marking a 3 percent year over year growth. The total retail e-

commerce spending for the complete year 2009 reached $129.8 billion. The number is slightly lower than in 2008 where it was $130.1 billion.

There was a significant growth in year over year e-commerce spending in 2007 and in the first half of 2008, even in big economic crisis. It recorded negative year over year growth in Q4 2008, Q2 2009 and Q3 2009 only. There was not much difference in Q1. Again in fourth quarter of 2009 online spending increased proving it as a good prospect in 2011.

E-commerce electronizes and digitizes the traditional business, which significantly reduce manpower, material and cost. At the same line, e-commerce breaks through time and space, which makes transactions more convenient and efficient. In addition, e-commerce also has the characteristics of globalization and open, which may create more trade opportunities for enterprises.

According to China International Electronic Commerce centre Director Liu Junsheng he said, “the financial crisis has posed a challenge to e-commerce. At the same time, it also brings new opportunities.”

CHAPTER THREE

RESEARCH METHODOLOGY

3.0 INTRODUCTION

This chapter examines the methodology employed in carrying out this research project. It is the authority base for the research.

The essence is to guide the reader for proper understanding, interpretation and reporting of the research findings.

3.1 THE AREA OF STUDY

The area of study covers Nigeria as a whole. The study covers the industries and companies in Nigeria which are involved in trade through e- commerce.

3.2 METHOD OF DATA COLLECTION

Data collection refers to the organized ways of obtaining the required information. In conducting, this research work, secondary data collection were selected and analysed.

3.3 METHOD OF DATA ANALYSIS

The method of analysis adopted for this study is both descriptive and inferential statistics. The former helped to summarise the data obtained through the well structured questionnaire while the inferential statistics is ideal because of its potency in making, evaluating and generalization from the data obtained.

CHAPTER FOUR

PRESENTATION AND ANALYSIS OF DATA

4.0 PRESENTATION OF DATA

The theme of this work is anchored on the challenges of globalization on e-commerce in Nigeria. Based on this premise, some of the firms and businessmen situated in kaduna State are selected for analysis

These findings only helped to show that Nigeria is really involved in globalization, which can be clearly seen from her trade relations with other countries. A secondary source showed a field survey of the level of awareness of e-commerce amongst people, an analysis of the findings is shown below

TABLE 1.0

UNDERSTAND E-COMMERCE

OPTIONS	RESPONSE	% OF TOTAL FREQUENCY
Yes	50	71.43
No	5	7.143
Not exactly	15	21.43
TOTAL	70	100

Source: Field Survey, 2010

We can see from the table above that majority of the respondents know what is e-commerce. Since e-commerce has to do with the internet and many people are now getting connected through the internet, the term e-commerce can easily be understood since majority of the respondents are educated and involved in e-commerce.

TABLE 1.1

TRADE RELATIONSHIP

OPTIONS	RESPONSE	% OF TOTAL FREQUENCY
Yes	57	81.43
No	12	17.14
No idea	1	1.429
TOTAL	70	100

Source: Field Survey, 2010

The table shows that 81.43% of the respondents concurred with the fact that globalization has actually improved the trade relationship between Nigeria and

other countries. This can clearly be seen in Nigeria's relations with China, US, Netherlands, France, Germany.

TABLE 1.2

E-COMMERCE ACCEPTABILITY

OPTIONS	RESPONSE	% OF TOTAL FREQUENCY
Yes	52	74.29
No	15	21.43
to some extent	3	4.286
TOTAL	70	100

Source: Field Survey, 2010

From the table above, most of the respondents say that e-commerce is widely acceptable in Nigeria and this can be seen from the establishment of Automated Teller Machiens (A.T.M.) through which business can be transacted.

TABLE 1.3

ECONOMIC DEVELOPMENT

OPTIONS	RESPONSE	% OF TOTAL FREQUENCY
Yes	35	50

No	20	28.57
Not exactly	15	21.43
TOTAL	70	100

Source: Field Survey, 2010

E-commerce helps to increase trade, eliminating barriers and other inconveniences. E-commerce also eliminates unnecessary costs in transacting business and this can lead to an increase in economic development, because it helps to cut down the rate of unemployment. Majority of the respondents agreed that e-commerce can be used to usher in economic development.

TABLE 1.5

FACTORS COMBATING E-COMMERCE

OPTIONS	RESPONSE	% OF TOTAL FREQUENCY
Yes	45	64.29
No	15	21.43
No idea	10	14.29
TOTAL	70	100

Source: Field Survey, 2010

From the above table, 64.29% of the respondents believe that there are factors combating against e-commerce in Nigeria. This can be clearly seen from the level of computer illiteracy in Nigeria. Most Nigerians do not know how to operate the internet also another factor is the access to the internet although there is an increase in the establishment of cyber cafes now in Nigeria also increase in internet crime is another factor combating against e-commerce in Nigeria.

TABLE 1.5

IMPACT OF GLOBALIZATION

OPTIONS	RESPONSE	% OF TOTAL FREQUENCY
Yes	70	100
No	-	-
TOTAL	70	100

Source: Field Survey, 2010

We can see from the table above that majority of the respondents believe that globalization has an impact on the Nigerian economy. Nigeria produces agricultural products like cocoa, peanuts, palm oil, corn, rice, sorghum, millet, cassava (tapioca), yams, rubber; cattle, sheep, goats, pigs; timber, fish. With the production of these raw materials, Nigeria engage in trade with other countries

who in turn establish industries close to these raw materials thereby urbanizing the area and improving the standard of living of the people this is a positive impact, the negative is in terms of congestion.

TABLE 1.6

RELATIONSHIP BETWEEN GLOBALIZATION AND E-COMMERCE

OPTIONS	RESPONSE	% OF TOTAL FREQUENCY
Yes	15	21.43
No	55	78.57
Total	70	100

Source: Field Survey, 2010

Majority of the respondents (78.57%) believe that there is no relationship between globalization and e-commerce. About 21.43% of the respondents believe that there exist a relationship not just a relationship but a positive relationship between globalization and e-commerce.

TABLE 1.7

E-COMMERCE AND BUSINESS TRANSACTIONS

OPTIONS	RESPONSE	% OF TOTAL FREQUENCY
Yes	25	35.71
No	20	28.57
Somehow	15	21.43
No idea	10	14.29
Total	70	100

Source: Field Survey, 2010

From the above table, 35.71% of the respondents believe that e-commerce has helped to improve business transactions in Nigeria, 28.57% believe that it has not improved business transactions in any way. 21.43% of the respondents are still in doubt as to whether it has really improved business transactions or not while 14.29% of respondents have no idea.

TABLE 1.8

E-COMMERCE IN NIGERIA

OPTIONS	RESPONSE	% OF TOTAL FREQUENCY
Yes	27	38.57
No	12	17.14

Not certain	8	11.43
Some how	23	32.86
Total	70	100

Source: Field Survey, 2010

27 of respondents believe that e-commerce has come to stay in Nigeria. 12 of respondents do not concur to that. 8 of respondents are not certain while 23 are still in doubt if it will stay or not.

TABLE 1.9

CHALLENGES FACING GLOBALIZATION

OPTIONS	RESPONSE	% OF TOTAL FREQUENCY
Yes	45	64.29
No	15	21.43
No idea	10	14.29
TOTAL	70	100

Source: Field Survey, 2010

64.29% of the respondents say that there are challenges facing globalization in Nigeria, 21.43% of respondents say that there are no challenges facing globalization in Nigeria while 14.29% of the respondents have no idea.

CHAPTER FIVE

SUMMARY OF FINDINGS/CONCLUSION/RECOMMENDATION FOR FURTHER RESEARCH

5.0 INTRODUCTION

In the attempt to provide answers to the research questions which provoked this work certain hypothesis was formulated.

5.1 SUMMARY OF THE FINDINGS

In carrying out this research, the research made the following findings as summarized here below.

1) Most individuals have an idea or rather understand the meaning of e-commerce and think that it is widely accepted in Nigeria. This can be seen through the establishment of Automated Teller Machines (ATM), credit cards growth and acceptance and the establishment of telephone banking also the creation of cyber-cafes even in some of the remote parts of the country.
2) It was found out that economic development can be ushered in using e-commerce through the various business transactions that are carried out

on the internet and that there are factors combating against e-commerce in Nigeria and this can be seen clearly in the high rate of illiteracy, lack of access to internet, unavailability of browsing network and so on.

3) e-commerce has helped to improve business transactions in Nigeria due to its high rate of convenience. Using e-commerce business can be transacted in the luxury of one's home or apartment and most cost incurred during business transactions are eliminated costs of communication, transportation, cost of middlemen and so on.

4) The trade relationship between Nigeria and other countries has been improved due to globalization and this can be seen in Nigeria's relationship with countries like USA, Brazil, Spain, China, U.K., Netherlands, France and Germany.

5.2 CONCLUSION

In conclusion, there should be an increase in the participation of government in the globalization process, this can be achieved by making sure that there is efficient use in the resources of the country both natural and human resources. One of the merits of globalization is that countries are able to harness the

resulting opportunities to the proper development of their material and human resources endowments now if the government does not ensure efficient use of resources, in the country our human and material would not develop. Government should bring about the reduction or if possible the removal of trade barriers which is an important feature of globalization of the goods and services markets which is expected to increase world output and trade which is more easier through the internet. With the establishment of internet browsing network in the country, e-commerce would be easier and more convenient. The problem of not having internet service has discouraged many Nigerians from participating in e-commerce but with the browsing network, service problem would be tackled and many Nigerians would participate in e-commerce.

Creation of public awareness is also vital in the progress of e-commerce in the country. Most individuals know e-commerce but lack the knowledge or how to use it or the process of means through which they can also on their own benefit from it and this has hampered the growth of e-commerce services in the country. So the creation of public awareness is a vital step in the recognition of e-commerce in the country.

5.3 RECOMMENDATIONS

1) Adequate incentives should continue to be extended to the productive sectors of the economy in order to accelerate the pace of economic growth.

2) The manufacturing sector should be given special attention in order to improve Nigeria's competitive edge in the current global setting.

3) The improvement in the quality of Nigeria's manufacturers can be achieved through research and development and the attraction of foreign direct investment.

4) Foreign investors should be encouraged to hold equities in Nigerian manufacturing enterprises so as to tap their technical expertise. This would enable Nigeria to produce high quality products and penetrate international markets.

5) The government should try and create policies that would tackle the problem of internet scam. Individuals and business men lose millions of naira due to internet scam. Government should give more re-enforcement to bodies that tackle such scam like the Economic and Financial Crimes Commission (EFCC) to be able to reduce the rate of internet scam in the country.

6) Government should ensure that tariffs charged by the internet networks are reduced so as to make it affordable and essential to many Nigerians. The government should also see to it that innocent Nigerians are not exploited by these telecommunication networks who would want to take advantage of business transacted through their networks and charge higher tariffs.

5.4 SUGGESTIONS FOR FURTHER STUDIES

The research of this nature, is not an end, therefore the research suggests that the following studies should be carried out;

(i) The effect of global financial meltdown on e-commerce

(ii) The impact of African Goal Opportunity Act (AGOA) on trade across West Africa sub region.

(iii) Finally, research should be carried out on trade tariff across the West coast border.

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APPENDIX

Your Department

Your school

city,

P.M.B. 500

State

Dear Respondents,

I am a student of the above named institution and department. I am carrying out a research on the topic: “The challenges of globalization on e-commerce in Nigeria.” I will be grateful if you could help me and answer the following questions because it will be of good help in this research work.

All answers given to these questions will be regarded treated confidentially.

Yours faithfully,

Your name

QUESTIONNAIRE

Questions carried out on a research project titled the challenges of globalization on e-commerce in Nigeria.

SECTION A

PERSONAL DATA

Please tick in the boxes to indicate your answers

1. Sex

   (a) Female ( )

   (b) Male ( )

2. Marital status

   (a) Single ( )

   (b) Married ( )

3. Age Distribution

   (a) 20 – 30 ( )

   (b) 30 – 40 ( )

   (c) 40 – 50 ( )

(d) 50 – 60 ( )

4. Educational Qualification

(a) F.S.L.C. ( )

(b) W.A.S.E. ( )

(c) OND/NCE ( )

(d) HND/B.SC. ( )

(e) MBA? MSC? PHD ( )

5. Nature of employment

(a) Traders ( )

(b) Businessman ( )

(c) Bankers ( )

SECTION B

1. Do you understand the term globalization?

(a) Yes ( ) (b) No ( ) (c) Not exactly ( )

2. Is Nigeria involved in globalization?

(a) Yes ( )(b) No ( ) (c) No idea ( )

3. Do you understand the term e-commerce?

(a) Yes ( )(b) No ( ) (c) Not exactly ( )

4. Has globalization actually improved the trade relationship between Nigeria and other countries?

(a) Yes ( )(b) No ( ) (c) No idea ( )

5. Do you think that e-commerce is widely accepted in Nigeria?

(a) Yes ( )(b) No ( ) (c) To some extent ( )

6. Can economic development be ushered in using e-commerce?

(a) Yes ( )(b) No ( ) (c) Not exactly ( )

7. Are there any factor(s) combating against e-commerce in Nigeria?

(a) Yes ( )(b) No ( ) (c) No idea ( )

8. Has globalization had any impact on the Nigerian economy?

(a) Yes ( )(b) No ( )

9. Do you think that there exist a positive relationship between globalization and e-commerce?

(a) Yes ( )(b) No ( )

10. Has e-commerce helped to improve business transactions in Nigeria?

(a) Yes ( )(b) No ( ) (c) some how ( ) (d) No idea ( )

11. Do you think e-commerce has come to stay in Nigeria?

(a) Yes ( )(b) No ( ) (c) not certain ( ) (d) somehow ( )

12. Are there some challenges facing globalization in Nigeria

(a) Yes ( )(b) No ( ) (c) No idea ( )