

Chapter 4.21

E-Business and Nigerian Financial Firms Development: A Review of Key Determinants

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ABSTRACT

This research discusses Nigerian financial firms' perspectives on key determinants of e-business deployment. It explores possible differences that exist among financial firms using in-house e-business capabilities and those that outsource their e-business capabilities. This chapter contributes to the few pieces of literature on e-business experiences among firms operating in Africa, particularly Nigeria. The Technology-Organization-Environment (TOE) model underpins

the conceptual framework for this chapter. The independent variables are the firm, technological and environmental factors while e-business use constitutes the dependent variable. The findings reveal that all the factors were significant, but that environmental factors were key determinants of e-business use among the firms. In addition, this study reveals practitioners' interests in Nigerian government agencies to maintain and enhance the existing e-business legal, regulatory and security frameworks in the country. By extension, this could enable greater e-business use in firms, which could improve the overall economy.

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INTRODUCTION

The increasing globalization, enhanced by advances in information system (IS), has spurred national and regional markets integration, international production, distribution, marketing, and consumption. eGlobal report reveals that as the world Internet access grows, the number of active (those who spend at least one hour per week online) users rose to about 640.2 million in 2004 (eGlobal Report, 2005). Similarly, the eGlobal report reveals various forecasts of total world e-commerce revenues by year 2004 ranging from a conservative value of \$963 billion to \$4 trillion. International Data Corporation (IDC) projects e-commerce revenue by 2004 at \$2.8 trillion while Goldman Sachs & Co. estimates \$3.48 trillion (IDC, 2002). The report also indicates that 2003-2005 growth of e-commerce will be driven by the B2B segment not business-to-consumer (B2C) transactions. According to United State Census Bureau 2009, total e-commerce sales for United States for 2008 were estimated at \$133.6 billion, an increase of 4.6 percent from 2007. Total retail sales in 2008 decreased 0.6 percent from 2007. E-commerce sales in 2007 and 2008 accounted for 3.2% and 3.3% of total sales, respectively. Based on the foregoing, this paper examines electronic business use in Nigerian financial firms using the technology-organizational-environment framework (TOE).

Electronic business (e-business) is often regarded as generally focused on e-commerce, however, the true definition is much broader. The Aberdeen Consulting Group defines e-business as the automation of the entire spectrum of interactions between enterprises and their distributed employees, trading partners, suppliers and customers (Intel, 2003). E-business encompasses the application of electronic systems to transform functional processes (Xu, Rohatgi, & Yangxing, 2007). Both definitions include a broad range of business processes such as multi-entity product design collaboration, electronic product market-

ing and information sharing, e-commerce sales of product to consumers or between firms or governments, internal business process re-engineering, multi-entity supply chain collaboration and customer relationship management. The operational definition of e-business in this paper includes all business transactions firms conduct using open standard [e.g., the Internet] and/or closed standard networks [e.g., Electronic Data Interchange (EDI)].

Revenue generated from e-business support and related services grow at a rapid rate in Nigeria, despite the insecurity in online economic transactions. With the liberalization of the telecommunication sector and the introduction of GSM services, experts predict a boom for e-business activities across Nigeria including Lagos. Lagos is the commercial and economic hub of Nigeria attracting key investments in financial activities and information and communication technology (ICT). As the fastest growing industry in Nigeria, the ICT industry is projected to be the next foreign direct investment driver in the next decades. E-business value was \$18.2 billion in 2007 up 22.9% from USD14.8 billion in 2006. E-business value for 2006 and 2007 were \$16.5 billion and 17.7 billion, respectively (Ujah, 2008). The financial services industry (FSI) is a significant source of development and growth in Lagos. The Lagos corporate sector, especially the financial and oil industries are all expected to experience increased growth in their future EB activities.

Notwithstanding enormous corporate interest and many success stories on e-business, there are few contextual studies on factors that determine its deployment in Africa. In addition, prior studies on e-business focused primarily on the statistics and growth patterns of e-business in terms of usage across industries and countries located in the European Union, United States of America and Asia (Eze and Gilbert, 2004; Goren and Turban, 1996). Similarly, Nigeria, like most African countries, provides little empirical studies that explain the dynamics of e-business deployment in firms

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