



Review

The problems and prospects of E-transaction (The Nigerian Perspective)

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Abstract

The use of electronic means to settle financial transactions among individuals, private and corporate bodies is fast growing. Business transactions has moved from manual form to electronic form, as online payment becomes underpin of systems of e-commerce and this has made the issue of e-transactions of immense concern to both individuals, private and corporate bodies. This paper therefore unearths an analysis on the problems and prospects of e-transaction in the Nigeria. To achieve this, samples of 350 questionnaires were used and two hypotheses were formulated for the study and the chi-square statistical tool was adopted in testing the hypotheses. The results revealed that there is a significant relationship between e-transaction in promoting economic growth but this has not been succeeded in the right direction as it is still at its infant stage and the attitude of government, corporate bodies and individuals pose a problem to e-transaction as they are enslaved in fears resulting from insecurity, technical problems, anonymity, cultural problems and so on. Based on the above findings, recommendations were made.

Keywords: e-Transaction, Online, e-Commerce, PocketMoni, Cashlite or Cashless Economy, E-Tranzact, Western Union Money Transfer, E-commerce.

INTRODUCTION

E-transaction for short refers to electronic transaction and in this paper we shall often refer to electronic transaction as e-transaction. Various applications of e-transaction are continually affecting trends and prospects for business over the Internet, including e-banking, e-ordering and online publishing/online retailing. A more developed and mature electronic environment plays an important role in e-transaction by encouraging a shift from traditional modes of payment (i.e., cash, checks or any form of paper-based legal tender) to electronic alternatives (such as e-tranzact, western union money transfer, pocketmonie), thereby closing the e-commerce loop (Bickersteth, 2005). According to Raja and Senthil (2008) the success of electronic commerce depends upon effective e-transaction systems. The Internet and on-line businesses are growing exponentially and this is due to the explosive growth. E-transaction on the

Internet uses various electronic mechanisms that can cater for much diversity of applications. This paper discusses the problems and prospects of e-transaction in Nigeria. The focus of this paper is to identify and explain the different methods of e-transactions, the challenges of e-transaction. Finally a number of solutions have been proposed based on the problem discussed on e-transaction.

Aristotle (384.322 B.C.) as cited in Hallahan K (2000) asserted that everything must be assessed in money; for this enables men always to exchange their services, and so makes society possible. An electronic transaction is defined as a business services that utilize information and communications technologies including integrated circuit (IC) card, cryptography, and telecommunications networks. The need for e-transaction technologies is to respond to fundamental changes in socio-economic

trends. The transaction system is the infrastructure which comprised of institutions, instruments, rules, procedures, standards, and technical, established to affect the transfer of monetary value between all the parties. An efficient transaction system reduces the cost of exchanging goods and services, and is indispensable to the functioning of the inter-bank, money, and capital markets. However, a weak transaction system may severely drag on the stability and developmental capacity of an economy; its failures can result in inefficient use of financial resources, inequitable risk-sharing among agents, actual losses for participants, and loss of confidence in the financial system and in the very use of money. The tasks to design the transaction system become ever more complex as competition and innovation push constantly to the limit the search for better combinations of efficiency, reliability, safety, and system stability in the provision of services to larger numbers of individual users and institutions. New technologies supporting the electronic storage, transfer, and use of money could have significant implications for consumers, merchants, governments and financial institutions. The electronic transaction system consists of

* **Users:** who can in turn be subdivided into retailers and consumers depending on the transaction model adopted?

* **Issuers:** corporate individuals, government that are providing the actual mechanisms or the means to integrate the mechanism into other users.

* **Regulators:** those who are concerned with issues ranging from assuring the integrity of the mechanism and its operators, to the potential impact on the wider economy

Statement of the Problem

According to Amaefule, (2012), the term electronic transaction refers to the application of information and communication technologies, online and computerized based system in business transaction. It is a major pre-requisite for e-commerce but the Nigerian economy is largely cash-based with over 90% of funds in circulation. Thus transactions involved goods and services are mostly done by cash due to reasons largely attributed to ignorance, illiteracy, and lack of adequate infrastructure to guarantee availability and security of transactions (fraud and advance fee fraud known as 419). All these put together have influenced in one way or the other the effectiveness of e-transaction in Nigeria. The Internet has brought about the emergence of virtual markets with four primary distinct characteristics, which are real-time, shared, open and global (Mohammad, 2003). The growing rate of ICT utilization particularly the Internet has influenced at an exponential rate, online interaction and communication among the generality of the populace. The shortcomings notwithstanding, most people are connected through their cell phones, home PCs and

others through corporate access and public kiosks. The patronage of the Internet all over the world is monumental and has remained on the increase from inception. However, with the enormity of businesses on the Internet, Nigeria is yet to harness the opportunities for optimal financial gains. Findings revealed that Nigerians have the ability to participate in e-transaction or e-business, but there is need for improved national image to bring in the element of trust and discipline within, and before the international communities. Furthermore, there is need to encourage public and private initiatives in the provision of the basic infrastructures for improved motivation and opportunities for e-transaction. Currently, consumers source for information online but make purchases the traditional way. The problem of this study therefore is how far has e-transaction promote and/or impair the Nigerian economy.

Objectives of the Study

The specific objective of this study is to find out the problems and prospects of e-transaction and the general objectives of this study are to find out:

- problems militating against the advancement of e-transaction in Nigeria.
- extent to which e-transaction has helped promote the Nigeria economy
- attitude of government, corporate bodies and individuals towards e-transaction in Nigeria
- suggest ways for improving e-transaction in Nigeria.

Literature Review

According to Ayo and Babajide (2006), the focus of every processing transaction electronically is meant to minimize the transaction risk. In parallel, a trust framework in e-transaction must address scalability and cost. A business process is understood as a set of logically related tasks performed to achieve a well-defined business outcome. A well accepted definition of e-transaction is that it "is the sharing of business information, maintaining business relationships and conducting business transactions by the means of information technology networks and online". In most developing countries like Nigeria, the processes available for online transactions could take the following method:

A. Traditional Transaction Methods

- *Cash on delivery.* Many online transactions only involve submitting purchase orders online. Payment is by cash upon the delivery of the physical goods.
- *Bank payments.* After ordering goods online, payment is made by depositing cash into the bank account of the company from which the goods were ordered. Delivery is likewise done the conventional way.

B. Electronic Transaction Methods

- *Innovations affecting consumers* include credit and debit cards, automated teller machines (ATMs), stored value cards, and e-banking.

- *Innovations enabling online commerce* are e-cash, e-checks, smart cards, and encrypted credit cards. These transaction methods are not too popular in developing countries. They are employed by a few large companies in specific secured channels on a transaction basis.

- *Innovations affecting companies* pertain to payment mechanisms that banks provide their clients, including inter-bank transfers through automated clearing houses allowing payment by direct deposit.

An e-transaction system (ETS) is a system of financial exchange between buyers and sellers in the online environment that is facilitated by a digital financial instrument (such as encrypted credit card numbers, electronic checks, or digital cash) backed by a bank, an intermediary, or by legal tender. ETS plays an important role in e-commerce because it closes the e-commerce loop. In developing countries, the underdeveloped electronic transaction system is a serious impediment to the growth of e-commerce. In Nigeria, entrepreneurs are not able to accept credit card payments over the Internet due to legal and business concerns. The primary issue is transaction security. The absence or inadequacy of legal infrastructures governing the operation of e-transaction is also a concern. Hence, government, corporate individual's operations employ service agreements between themselves and their clients. The relatively undeveloped e-transaction in many developing countries is also a barrier to e-commerce. There is also the problem of the requirement of "explicit consent" (i.e., a signature) by a card owner before a transaction is considered valid- a requirement that does not exist in the developed countries (Ezeoha, 2006).

Many developing countries are still cash-based economies although most recently the cashlite (not cashless) economy has been introduced by the Central Bank of Nigeria. Cash is the preferred mode of payment not only on account of security but also because of anonymity, which is useful for tax evasion purposes or keeping secret what one's money is being spent on. For other countries, security concerns have a lot to do with a lack of a legal framework for adjudicating fraud and the uncertainty of the legal limit on the liability associated with a lost or stolen credit card. In sum, among the relevant issues that need to be resolved with respect to ETS are: consumer protection from fraud through efficiency in record-keeping; transaction privacy and safety, competitive payment services to ensure equal access to all consumers, and the right to choice of institutions and payment methods and the Legal frameworks in developing countries should also begin to recognize electronic transactions schemes (Ojo 2004).

In this paper we shall address the following issues:

- Fraud risk associated with e-transaction
- Money Laundering associated with e-transactions
- Privacy and Anonymity associated with e-transactions
- Technical problems associated e-transactions
- Cultural problems associated with e-transactions
- Pocketmoni as an e-transaction device
- Western Union Money Transfer
- Prospects of e-transaction

- Fraud risk associated with e-transaction

According to Larry (2008), the global networks, credit, debit and charge cards can never avoid the risk of crime entirely". The individual crime victims, merchant service providers and retailers always encountered the conflict of interest. After sloping by around half between 1991 and 1995, plastic fraud losses have risen steadily and are estimate of plastic fraud doubling in the next two years and with recorded fraud statistics rising. The pattern of fraud is changing. Electronic transaction frauds are rapidly emerging in the organization. It becomes a major problem for business today. As organizations struggle to remain competitive in a global marketplace, the business is more complex, systems are left open to employee manipulation and without a finely tuned internal control system, and the opportunity for significant loss is always present. Electronic transaction fraud and computer crime are found in Nigeria (Yahoo boys, Hackers, etc). There are several internal forces which can make electronic transaction fraud more likely to prevail in the organization, such as poor internal controls, poor personnel policies and practices, and lack of honesty at the top levels of management.

- Money Laundering associated with e-transactions

Money laundering is defined as the act of disguising the origin or ownership of illegally gained funds to make them appear legitimate. The huge sum of money is obtained through illegal activities and has been linked to nearly all kinds of crime for profit including organized and white collar crimes. This money must be laundered in order to avoid seizing by the law enforcements and handed to the government. There was a growing concern on money laundering in Nigeria as it is often associated with drug trafficking, bank savings abuses, real estate fraud, and tax evasion. The process of transferring funds through electronic messages between banks is known as wire transfers. It acts as the primer step in money laundering where the profits from organized crimes, for instance drugs, gambling, racketeering, and prostitution must be somehow slipped into the banking systems before it can be safely spent. It is the duty of the bank staff to report any detection of potential money laundering via direct

telephone notification to the bank regulators and financial enforcers (Maiami 2005). The high number of transaction and the flow of wire transfer through fully automated systems have made it hard for it to be detected by law enforcements and confuse audit traits.

- Privacy and Anonymity associated with e-transactions

With the increasing usage of the Internet, the fears of privacy abuse become a top concern of most of the Internet users. In fact anonymity features of electronic transaction systems play a vital role in protecting privacy in an electronic world, and as the safeguard for a privacy-protecting Internet. Nonetheless, the anonymity of an Internet user is mainly compromised through the transaction method that is employed widely on the Internet – credit card, since most of the information is being collected on the Internet when users enter their credit card purchasing details. As consumers prefer to keep the details of their transaction private, conversely merchants and issuers in favor to ensure they capture and possess enough an appropriate and sufficient record of their transactions. Then privacy may become a thorny issue here. For instance, the Economic and Financial Crimes Commission (EFCC), the Independent Corrupt Practices and allied Commission (ICPC), and other law enforcement bureaus have participated in a wide-ranging look at the issues of the emerging e-money technologies. Last but not least, privacy must be regarded as a political right that consumers enjoy and ought to be respected (Olesin 2006). At the same time, precautions need to be put in place to ensure that electronic transaction systems are not used as a means to thwart existing laws.

- Technical problems associated e-transactions

According to Chibueze (2006), every new technology, when exposes and comes to the public, it faces to so many difficulties. It takes time that people getting familiar with it. The other point is that since the technology like e-payment is new, there should be so many thing invented and prepared as a base for expanding of it. Most of equipment of e-transactions is expensive and not easy and simple to anybody to apply them. The other problem is to expand and grow the other part that are engage in or are part of e-commerce, like telecommunication and their services. In the case of e-commerce and e-transaction every end user (home or office user) must have at least one phone line and the connection to the Internet. As to be integrated system in all over the world, the infrastructure should be well developed in all country to have a real integration in this field.

- Cultural problems associated with e-transactions

Most people still like to do their businesses in traditional

form as before because they feel that the traditional system guarantees safety of their transaction. These people like to touch the documents and money in hand and doing the process physically and manually. They believe in every dealing and business, physically rather than virtually. There are many people even in the 21st century, who do not agree and accept all new technologies. They are always not certain and assured to the technologies. They do everything like old people. The job is very hard to pursue and to make these people eager to do in this way and accept the technologies. One reason is because of so many malfunctions, fraud, and unavailability of devices in the time of need (Andrew, 2004). Every defection makes the public opinion divert from the advantages of new technologies.

- PocketMoni as an e-transaction device

In Nigeria, PocketMoni is a mobile transaction (payment) solution designed to allow users conduct financial transactions anytime, anywhere, from your phone. With Pocketmoni, your phone is now your bank and your mobile phone number becomes your account. Pocketmoni serves are secure, cost effective, convenient and available for everyone in Nigeria. It is easy and secure way to engage in business transactions in an online process (PocketMonie User Guide, 2012).

Features and Benefits

- Recharge your phone and get up to 5% bonus on all airtime purchase on all networks.
- Send money to any bank account or mobile phone in Nigeria free
- Pay DSTV, HiTV, MyTV and PHCN Bills – prepared and post-paid
- Register other users on Pocketmonie and earn money
- Buy airline tickets and book hotels with your phone on the web and get discounts.
- Access to your money anytime, anywhere
- Convenient and secure
- All transactions are free of charge

Services available to Pockmoni users are Buying of Airtime of any Network, Sending Money to Pocketmoni users, e-tranzact card, any mobile phone user, bank account, Withdraw cash at agent location and at partner bank ATM, Pay Bills such as Cable TV, Utilities, Fees, Levies and Taxes and pay Merchants (e.g. supermarkets, restaurants, petrol filling stations (PocketMonie User Guide, 2012).

- Western Union Money Transfer as e-transaction device

Western union money transfer is associated with online transaction that involves a transaction between a sender and a receiver. The sender can reside in any part of the

Table I. Contingency Table

O	E	$\Sigma(O - E)^2$	$(O - E)/E$
244	175	4761	27.21
106	175	4761	27.21
298	175	15129	86.45
52	175	15129	86.45
299	175	15376	87.86
51	175	15376	87.86
212	175	1369	7.82
138	175	1369	7.82
		χ^2	418.68

Source: Field Work, 2012

Test Statistic: $\chi^2 = (O - E)^2/N$ at 0.05 level of significance

K = 7

Df = 6

world and he can transfer funds from any part of the world to the receiver with a 5% transaction costs on the money sent and the information of the sender and receiver is placed on the internet. The sender provides a text question and answer that shall be provided to the bank in the event of receiving the money. The receiver obtains a form from the bank by filling the western union control number which comprise of 10 digits and every form of identifications are presented before the clearing house. This method of e-transaction seems to be prevalent in the Nigeria setting and has been properly harnessed, although the platform for receiving and sending seemed to be hacked by fraudsters.

- Prospects of E-Transaction in Nigeria

E-transaction is undergoing huge growth in terms of the volume of goods and services that are being traded on-line. A large number of companies have developed universal transaction portal offering a whole host of ostensibly free information and services to consumers; the use of real micro transaction, though, is clearly more flexible and allows a much clearer link between the content delivered

and the amount paid. As telecommunications manufacturers and network operators seek to define the shape of the mobile Internet, startup companies are busy coming up with new ways to make transactions (buying and selling) on-line. One very large area of uncertainty is the degree to which the mobile Internet will resemble the fixed-line Internet. With the advent of modern technologies in telecommunications, infrastructure and protocols, future transactions will be made conveniently, safely and quickly as possible.

METHODOLOGY

The study is a survey type meant to seek data on the opinions, attitudes and view on e-transaction. The study

Anambra State and the study focused on all banks operating inside the institution (United Bank for Africa, First Bank, Diamond Bank, Enterprise Bank, Fidelity Bank, Access Bank and Zenith Bank) but a sample of 6 Banks were selected using simple random sampling technique. The research made use of questionnaire titled "Problems and Prospects of E-Transaction (PPET)". It was a structured Likert 5 point type of questionnaire and it has three sections A, B and C. The researcher administered the questionnaire to the employees of the selected banks by himself and the data collected were collated and analyzed using chi-square statistical tool. Acceptance point for the items was made at 0.05% level of significance with its associated degree of freedom.

Hypotheses

There is no significant relationship between e- transaction in promoting economic growth

- The attitude of government, corporate bodies and individuals does not pose a problem to e-transaction.

Data Analysis

Out of the 370 questionnaires that were administered to respondents, 350 questionnaires were fully completed and these constitute the basis for our analysis and the analysis of data shall be directed towards the two hypotheses formulated in the study:

Test of Hypothesis I

Hi: There is a significant relationship between e-transaction in promoting economic growth

Ho: There is no significant relationship between e-transaction in promoting economic growth

Decision

Since the calculated chi-square value is greater than the tabulated value, we reject Ho and accept Hi. From the

Table II. Contingency Table

O	E	$\Sigma(O - E)^2$	$(O - E)^2/E$
210	175	1225	7.00
140	175	1225	7.00
198	175	400	2.29
155	175	400	2.29
223	175	2304	13.17
127	175	2304	13.17
179	175	16	0.09
171	175	16	0.09
		X^2	45.10

Source. Field Work, 2012

Test Statistic: $X^2 = (O - E)^2/N$ at 0.05 level of significance

K = 7

Df = 6

result of the above analysis, there is a significant relationship between e-transaction and economic growth in Nigeria.

Test of Hypothesis II

Hi: The attitude of government, corporate bodies and individuals pose a problem to e-transaction.

Ho: The attitude of government, corporate bodies and individuals does not pose a problem to e-transaction.

Decision

Since the calculated chi-square value is greater than the tabulated value, we reject Ho and accept Hi. From the result of the above analysis, the attitude of government, corporate bodies and individuals pose a problem to e-transaction.

CONCLUSION/RECOMMENDATIONS

It is therefore concluded that e-transaction is a panacea or antidote to business growth and development and as businesses grow and develop it in turn affects national economic growth and development on the long run. When properly utilized by extinguishing all forms of insecurity that characterize the e-transaction system, it would pave room for more users appreciating the role that e-transaction plays and by so doing, more and more corporate individuals and even the government will begin to appreciate and support the idea behind e-transaction in Nigeria.

Arising from the analysis associated with e-transaction in Nigeria, the following recommendations are made, thus:

1. **Review the role of issuers and consumers to hinder security threats:** Issuers of electronic transactions will need to take great care to ensure that the danger of counterfeiting is minimized and they must be very vigilant in monitoring their systems and

operations so that fraud can be detected quickly when it occurs. They should constantly upgrade hardware and software whenever a new feature of enhancing security becomes available. Besides, attending seminar/workshops/talk on the healthy usage of electronic transaction is very much encouraged, especially for those machine/computer illiterates. Customers must also be able to comply with the terms and conditions, keep track of the balance, especially after each transactions, protect identify/code number from public view, update personal information.

2. **Identify ways to increasing interests among businesses:** Most electronic transaction cost only around one-third to one-half as much as a paper-based non cash payment and it is clearly understood that the cost of a transaction system could be considerably reduced if it is shifted to electronics. Therefore, financial institutions should provide transaction services according to their differential costs of services, so users may choose the instrument with the lowest net price/non price cost.

3. **Reduce the usage of traditional payment methods:** The traditional payments, where the clumsy and expensive way to handle notes is being replaced by efficient electronic means initiated by various types of plastic cards. This is a tantalizing prospect for the twenty-first century. Both the costs and the prices of paper-based payments are higher than their electronic counterparts. Traditional payment is not the preferred method of payment, particularly for higher value transactions since use of currency involves handling, storage and security costs that may not arise to the same extent with other methods. The level of acceptance of particular payments by retailers, merchants and other suppliers will obviously have an important influence on the take-up of new approaches.

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