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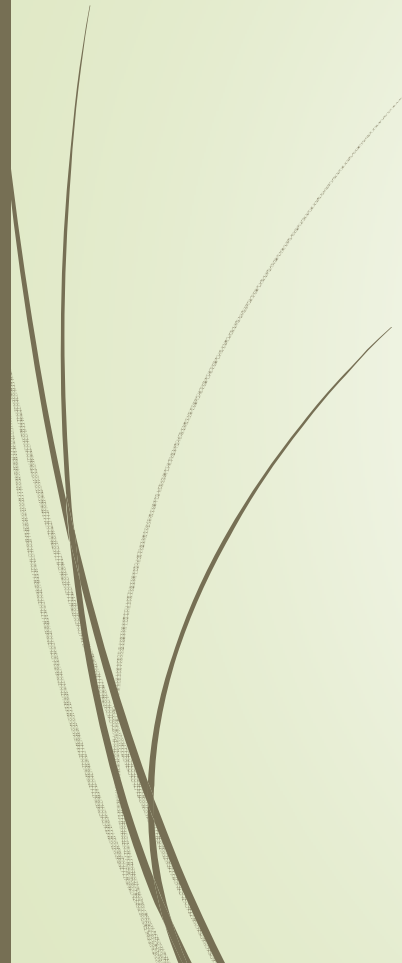


## Introduction

All over the world, MSMEs are key agents of national economic growth, development and stability (Ekanem et al., 2018; Akanbi 2016; NBS/SMEDAN 2013; WTO 2013). MSMEs serve numerous economic importance such as employment creation, income generation, drivers of innovations, poverty alleviation, wealth generation and distribution, development and industrialization driver, skill generation and a tool for overcoming enormous national insecurity challenges, among many others (Ekanem et al., 2018).



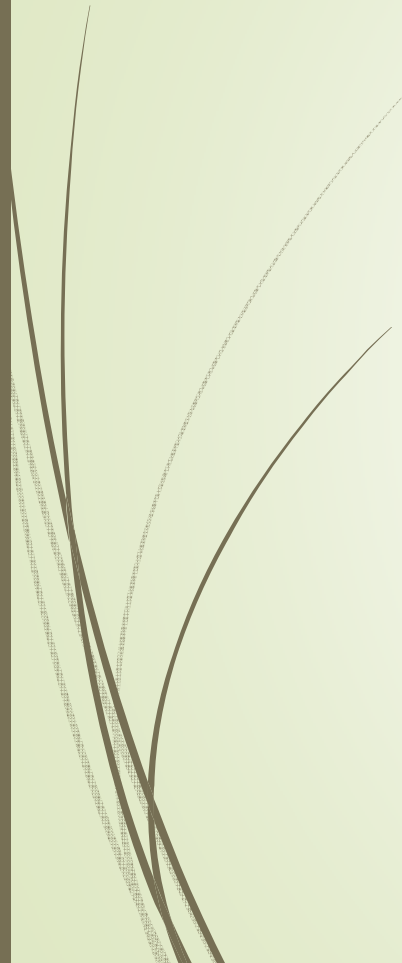
## The Contributions of MSMEs to Nigeria's Economy



MSMEs have been a major engine of growth to Nigeria's economy in the recent times. SMEDAN (2013) reports that, MSMEs contributed **48.5%** to the Nigerian Gross Domestic Products (GDP) in the year 2012. In the year 2010, **59.7** million people were employed by the MSMEs when the entire country's population as at that time stood at 154 million (NBS/SMEDAN 2013). As at 2010, **90%** of all the registered enterprises in Nigeria were MSMEs (NBS)/SMEDAN (2013). It remains noteworthy to state that the impacts of the MSMEs in Nigeria in most recent times have tremendously multiplied even as the population grows.



## **The Contributions of MSMEs to Nigeria's Economy Contd.....**



**The Nigerian economy experienced one of the worst economic hit 3 years ago. Precisely, Nigeria faced huge economic challenges in the late 2015 and early 2016 which led it into recession. It is indeed remarkable to note that the country survived and came out of recession with the help of the MSMEs (NBS, 2017).**

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## **The Contributions of MSMEs to Nigeria's Economy Contd.....**

**MSMEs in Nigeria contribute 75% of the National employment (NBS, 2013). Out of the 17.2 Million MSMEs in Nigeria, about 17 Million are micro enterprises. Hence, the growth in the micro enterprises is directly correlated with the growth in the Nigeria's economy since they create most employments (Osondu, 2016).**



## **Classification of MSMEs**

SMEDAN (2007) categorized enterprises with less than 200 employees as MSMEs. According to SMEDAN MSMEs are classified into:

- a. Micro enterprise: An enterprise that employs less than 10 people (that is, 0-9 people)
- b. Small enterprise: The category of enterprise that employs 10-49 people.
- c. Medium enterprise: This category of enterprise employs 50-199 people.



## **MSMEs and Online Presence**

Owing to many challenges facing the MSMEs in most developing countries, which range from poor or inadequate infrastructure, lack of access to credit facilities, in addition to the fierce competition from more established enterprises in the global arena, among others, the business terrain is tough for most MSMEs in Nigeria hence, growth and sustainability of most MSMEs in present times would to a large extent depend on how well enterprises are able to strategically position their businesses to maximize and leverage on the power inherent in the local and global market through a good online presence (Oyelaran-Oyeyinka, 2010).

### **Meaning of Online Presence**

The term online presence, also known as internet presence is the process of using a combination of various internet channels such website, social media, blogging site, web apps, e-commerce, search engines among others, to showcase or promote a brand, product, person or organization in local and global sphere (Constantinides, 2014)





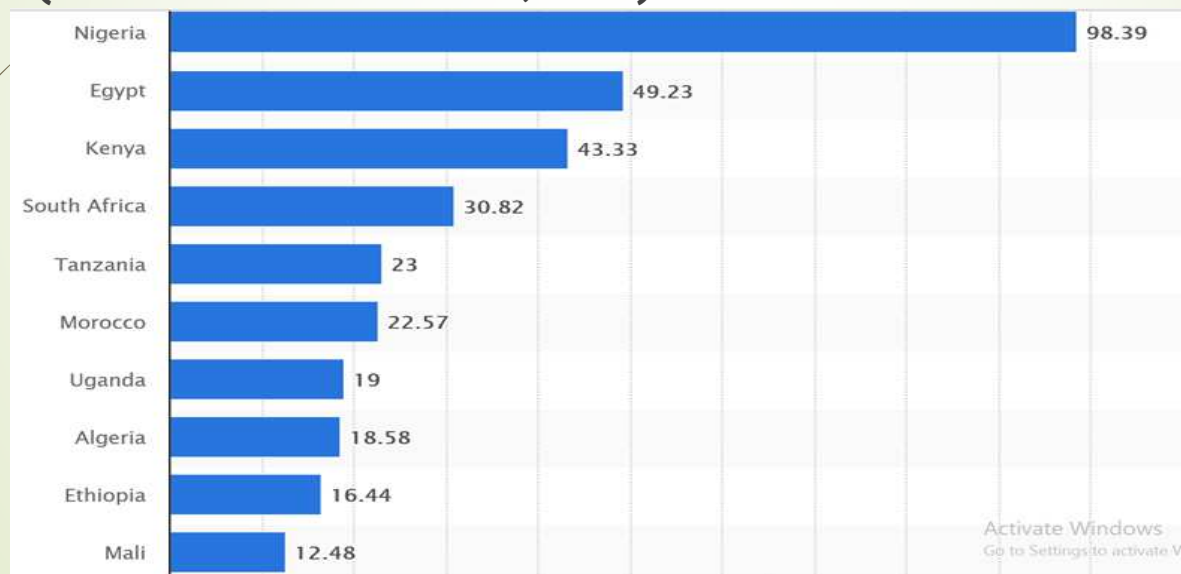
## **Why Online Presence is a Necessity for the MSMEs**

Online presence is the fastest way an enterprise, individual, or organization could gain attention and recognition in the recent times. It is simply the easiest approach an enterprise could adopt to gain local and global visibility. Online presence is therefore an indispensable catalyst for business growth in the 21<sup>st</sup> century (Cagliano & Caniato, 2013). The current and unfolding technological trend suggests what the future of global business holds.



## Internet Penetration in Nigeria

According to the 2019 World Internet Statistics, Nigeria currently has the highest internet penetration in Africa and occupies the 7th position in the world internet penetration. Specifically, Nigeria has an internet population of over 111.6 million, and this number accounts for 55.8% of the entire population (World Internet Statistics, 2019).



**Figure 1: Top ten Internet users in Africa.**

**Source: (World Internet Statistics, 2019)** International KIE Conference Dubai, UAE, 2-4 September 2019

## **The Nigerian Internet Penetration Contd.....**

- ▶ An average Nigerian internet user spends over 4 hours on the internet on daily basis (Adepetun, 2018).

### **The Twist**

- ▶ The Nigerian huge internet population is a great asset that could boost her national economy if leveraged by the MSMEs. It is however unfortunate that the huge internet presence is rather instrumental in promoting foreign economies rather than helping her own economy (Hakeenah, 2018).
- ▶ Nigerian online shoppers are the highest consumers of foreign products and services in Africa, even more than most parts of the world, while on the contrary, most of her MSMEs are just struggling to survive. This has been attributed mainly to poor internet leverage by the MSMEs (Hakeenah, 2018).

## Examples of Online Presence Channels

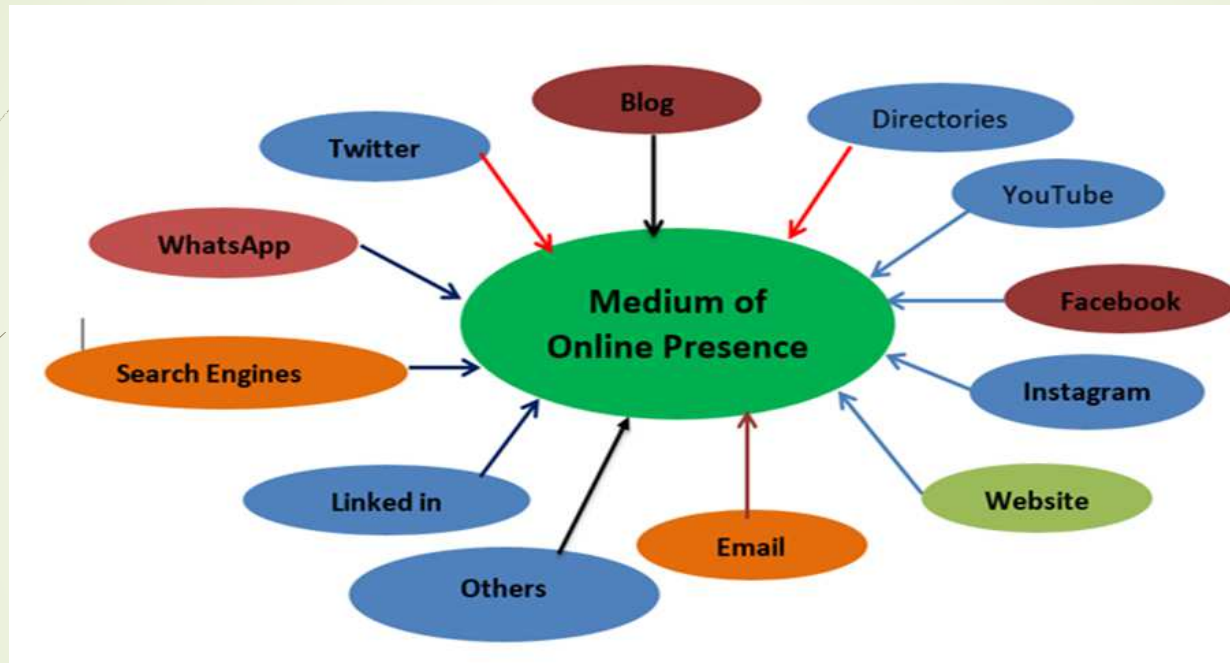
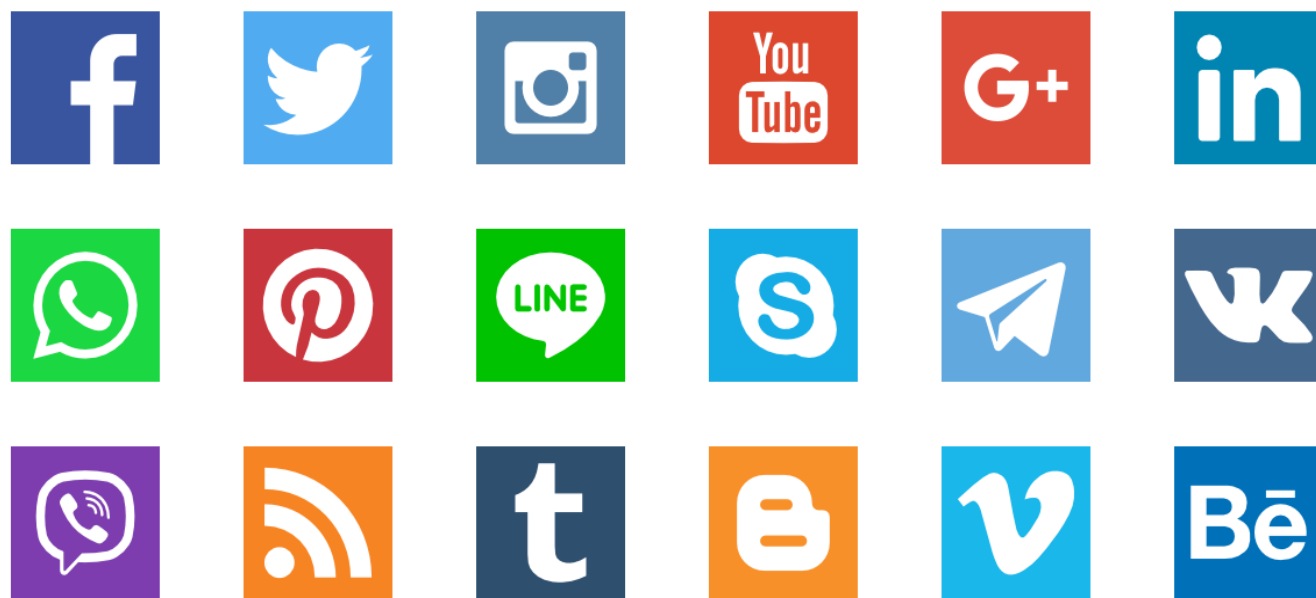


Figure 2: Some channels of online presence

## Social Media Channels of Online Presence



Social Networks Logos | icons



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# Types of Search Engines



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## Literature Review

### The Origin of Online Presence in the Nigerian MSMEs

- The first experience of online presence was in the form of email and was witnessed in the financial sector and by very large organization in the year 1990 and (Eze & Obike, 2017).
- Around early 2000, a few big enterprises started adopting electronic business medium. In late 2000, more few large enterprises joined the league of internet adoption mainly through non transactional simple websites and email accounts (Tan et al., 2010).
- In the recent times, the explosion in internet and social media has helped some smart MSMEs in Nigeria to bring their businesses to lime light, even though there are still many limiting barriers its efficient leverage (Constantinides, 2014)



## **The Implications of Poor Online Leverage by Nigerian MSMEs on Import Export and Export**

- Nigeria is the highest e-commerce users and foreign products consumers in Africa and many other continents. This has led to very high importations of foreign products and services and low exportation of local products and services.
- Nigeria spent N327 billion shopping online outside of Nigeria in 2016 Nigeria and was ranked by paypal as the 3rd mobile shopping nation worldwide in 2016 (Sadiq-Mebeko, 2016).
- While Nigeria is busy promoting foreign MSMEs through internet, the local MSMEs in the country are seriously lagging behind. This low patriotism has mainly been attributed to non-internet leverage by the local MSMEs.



## **The Implications of Poor Online Leverage by Nigerian MSMEs on Import and export Contd..**

- In like manner, the Nigerian MSMEs only contributed **7.2%** to the entire country's export in 2013 (NBS/SMEDN 2013). This low percentage of export could undoubtedly be attributed to **poor performance of the Nigerian MSMEs especially in international business interaction.**
- It is a known fact that over one third of consumers worldwide presently prefer to approach enterprises which offer services and products online rather than the brick and mortar traditional stores (Eze & Obike, 2018; Ajao et al., 2018).



## The Major Challenge

- The most newly established small enterprises in Nigeria do not survive up to one year after their establishment no matter how hard they try (Ajao et al., 2018).
- While the Nigerian internet penetration grows at great pace, it is a different story for most MSMEs (Akanbi, 2016; Eze & Obike, 2018; Ajao et al., 2018). The low leverage of internet presence of most Nigerian MSMEs is a huge drawback to business growth, profitability and sustainability of most MSMEs in Nigeria (Osakwe et al 2016; WTO, 2013).

## Related Work

**Tan et al. (2010)** investigated the demographics characteristics of small and medium enterprises (SMEs) in terms of their patterns of internet-based ICT adoption.

In the study done by **Olatokun (2011)**, an examination of the adoption of e-business technology by SMEs in Ibadan Southwest Nigeria was conducted with the aim of finding factors that promote and hinder the adoptions of online presence.

**Olise et al. (2014)** conducted a study to examine the determinants of ICT adoption for improved MSMEs performance using Enugu in Southeast Nigeria as a case study

**Agwu (2014)** conducted a study to investigate the influencers of e-business adoption and commercial website maintenance in Nigeria.



## **Related Work Contd.....**

**Osakwe et al. (2015)** conducted an evaluation of micro enterprise leverage on cooperate website adoption to booster their brand visibility was done. The study focuses on the developing world using Nigeria as a case study.

**Ekanem & Abiade (2018)** assessed the factors influencing e-business adoption by Nigerian small enterprises.

**Kaln & Uweni (2018)** investigated the extent of the impact of e-business utilization.

A study by **Agwu & Murray (2018)** was concerned about the analysis of the impact of the internet presence across firms and industries, which was done in order to separate hype from reality.



## **Statement Of Problem**

- A review of literature has identified some factors hindering online presence of Nigerian MSMEs but did not show the extent of limitation experienced.
- Previous studies only focused on internet usage by SMEs alone and have never considered that majority of the enterprises in the country are micro enterprises employing only about 0-9 people.
- Previous studies concentrated only external factors that influences SMEs internet adoption without considering the internal enterprise factors.
- Studies have also failed to show a clear evidence of the impact of internet presence in an enterprise on their profitability and growth.
- This study aims to fill the identified knowledge gaps through mainly quantitative research methodology approach.

## **Objectives**

The objectives of this study are to:

1. Identify and evaluate the factors that hinder online presence leverage by the Nigerian MSMEs.
2. Evaluate the extent to which the factors constitute barriers to MSMEs online leverage.
3. Evaluate the impact of online leverage by the Nigerian MSMEs on their growth and sustainability.
4. Recommend strategies for leveraging internet presence by the Nigeria MSMEs.



## Methodology

A quantitative research methodology was adopted for this study through the use of structured questionnaires to collect data from MSMEs in Abuja and Lagos Nigeria. Also **interviews** were used to gauge responses from some relevant stakeholders such as National Communication Commission (**NCC**), Small and Medium Scale Enterprise Development Agency (**SMEDAN**) and National Bureau of Statistics (**NBS**).

The questionnaires were administered to six dominant categories of MSMEs in the Nigeria namely: **Manufacturing, Whole Sale/Retail, Education/Training, Agro Business, Health/Medical and Others** (the “Others” category includes the service-based MSMEs). Each category received a total number of 30 questionnaires except the “Other” category that received 40 questionnaires. A total of **220** questionnaires were distributed but **157** were recovered, giving a return rate of **71.36%**. The responses were analyzed using SPSS version 22.





## **Analysis**

**The responses were analyzed using SPSS version 22. Descriptive and inferential statistics were adopted in the study. Descriptive statistics was adopted to enable clear and pictorial view of the responses, while the inferential statistics was used in testing the set hypothesis.**

## Hypothesis

**A hypothesis was set up to evaluate the factors that affect online presence adoption by MSMEs within an enterprise, we set up a hypothesis to be tested using multinomial logistics regression. The hypothesis is as follows:**

**H<sub>0</sub>: Enterprise factors and decision maker demographics (EFDMD) would likely influence the decision to adopt online presence.**

**The EFDMD include: Business type, Position of the decision maker, Age, Educational Qualification, and Sex. The hypothesis is tested at the level of significance of 0.05**

**Decision rule is thus: Accept hypothesis if  $H_0 < 0.05$  and Reject if  $> 0.05$**

## Results and Interpretation

**Table 1: Result summary of MSMEs responses**

Case Processing Summary			
		N	Marginal Percentage
Online presence	No	84	53.5%
	Yes	73	46.5%
Enterprise type	Manufacturing	27	17.2%
	Retail/Wholesale	28	17.8%
	Agro business	20	12.7%
	Training/Education	24	15.3%
	Health/Medical	24	15.3%
	others	34	21.7%
Position	CEO/Manager	73	46.5%
	Business Owner	84	53.5%
Respondent Age	18-30	19	12.1%
	31-40	65	41.4%
	41-50	46	29.3%
	50+	27	17.2%
Education	Primary Education	4	2.5%
	Secondary Education	13	8.3%
	SSCE/OND	23	14.6%
	BSc/HND	77	49.0%
	Others	40	25.5%
Sex	Female	68	43.3%
	Male	89	56.7%
Valid		157	100.0%
Missing		0	
Total		157	
Subpopulation		104*	

## Hypothesis Result

**Model Fitting Information**

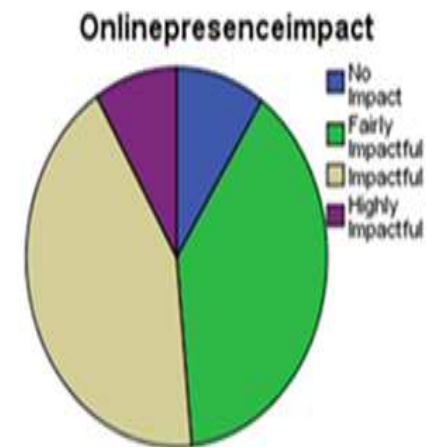
Model	Model Fitting Criteria	Likelihood Ratio Tests		
	-2 Log Likelihood	Chi-Square	df	Sig.
Intercept Only	178.432			
Final	150.649	27.783	14	.015

**The hypothesis, H<sub>0</sub> is significant at 0.015, we therefore accept the hypothesis that enterprise factor and decision maker demographics (EFDMD) may likely influence enterprise decision of adopting online presence.**

## Online Presence Impact

Online Presence Impact

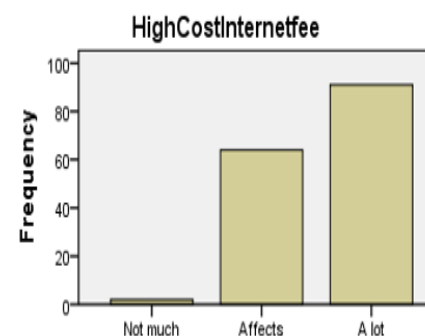
	Frequency	Percent	Valid Percent	Cumulative Percent
Valid No Impact	15	9.6	9.6	9.6
Fairly Impactful	61	38.9	38.9	48.4
Impactful	67	42.7	42.7	91.1
Highly Impactful	14	8.9	8.9	100.0
Total	157	100.0	100.0	



## Evaluation of Online Presence Barriers

1. Table 5: High cost of internet access fees

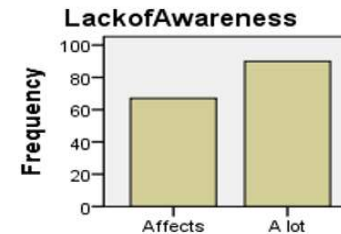
	Frequency	Percent	Valid Percent	Cumulative Percent
Valid Not much	2	1.3	1.3	1.3
Affects	64	40.8	40.8	42.0
A lot	91	58.0	58.0	100.0
Total	157	100.0	100.0	



# Evaluation of Online Presence Barriers Contd.....

2. Table 6: Lack of awareness

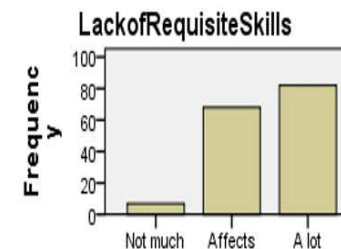
	Frequency	Percent	Valid Percent	Cumulative Percent
Valid Affects	67	42.7	42.7	42.7
A lot	90	57.3	57.3	100.0
Total	157	100.0	100.0	



From the result shown in the table above, lack of awareness of the use and the benefits of online presence leverage for promoting MSMEs accounts for almost 100% of the total result. As shown, 57.3% of the enterprises are of the view that lack of awareness hinders them a lot, while 42.7% revealed it does affect them.

3. Table 7: Lack of requisite technical skill

	Frequency	Percent	Valid Percent	Cumulative Percent
Valid Not much	7	4.5	4.5	4.5
Affects	68	43.3	43.3	47.8
A lot	82	52.2	52.2	100.0
Total	157	100.0	100.0	

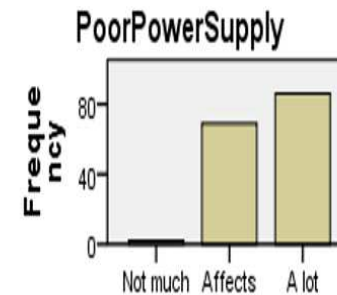




# Evaluation of Online Presence Barriers Contd.....

4. Table 8: Poor Power supply

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Not much	2	1.3	1.3	1.3
	Affects	69	43.9	43.9	45.2
	A lot	86	54.8	54.8	100.0
Total		157	100.0	100.0	



As shown in table 8, 155 out of the 157 MSMEs opine that power supply is the huge hindrance to effective online presence leverage.

5. Table 9: Fear of cyber attack



## Key Findings

**The following findings were made in the study:**

- a. 92% of the entire MSMEs that responded to the questionnaires are micro enterprises (enterprises employing 0-9 people).**
- b. Majority of the enterprises owns and manage their businesses by themselves.**
- c. Enterprise internal factor such as the type of enterprise influences the online presence leverage by an enterprise.**
- d. An enterprise decision maker demographics, such as educational qualification, age, gender, and so on, have shown to influence online presence usage by an enterprise.**
- e. The evaluated factors hindering online presence leverage by MSMEs in Nigeria are to a very large extent constituting barriers.**
- f. Most MSMEs who adopt online presence only have 1 form of social media channel of online presence, which is still not adequate.**

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## **Key Findings Contd.....**

**g. Six major factors were identified as the biggest barriers to internet leverage by MSMEs in Nigeria. The major factors include:**

- **Lack of requisite technical skills.**
- **Lack of awareness.**
- **Poor power supply.**
- **High cost of internet access fees.**
- **Poor internet infrastructure.**
- **Fear of cyber-attacks.**

**h. The study also discovered that online presence leverage impacts hugely on MSMEs growth, profitability and sustainability.**

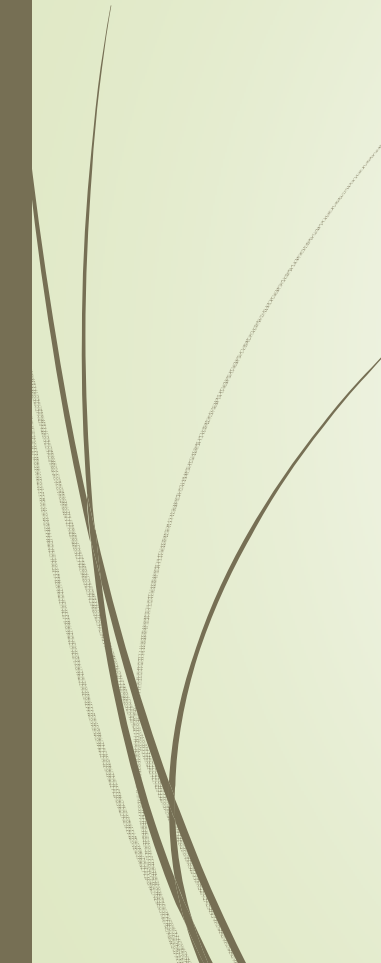


## **Recommendations**

- 1. It is very important for the government to make internet infrastructure available in every part of the country, especially the rural areas. This will enhance ease of accessibility of the internet by the rural and urban MSMEs. In most developed places, access to the internet is a basic necessity which government provides for her citizens.**
- 2. Government should critically strive to provide adequate power supply in the country since power is the bedrock of innovations, without which, industrialization will remain at a very low ebb in Nigeria.**
- 3. It is very important for government to implement the cyber protection laws as soon as possible. The full implementation of the cyber laws would immensely help to protect both customers and businesses online. This would also encourage global transactions with the Nigerian MSMEs.**
- 4. The law enforcement agencies should be adequately trained on how to recognize, monitor and prosecute cybercrimes.**

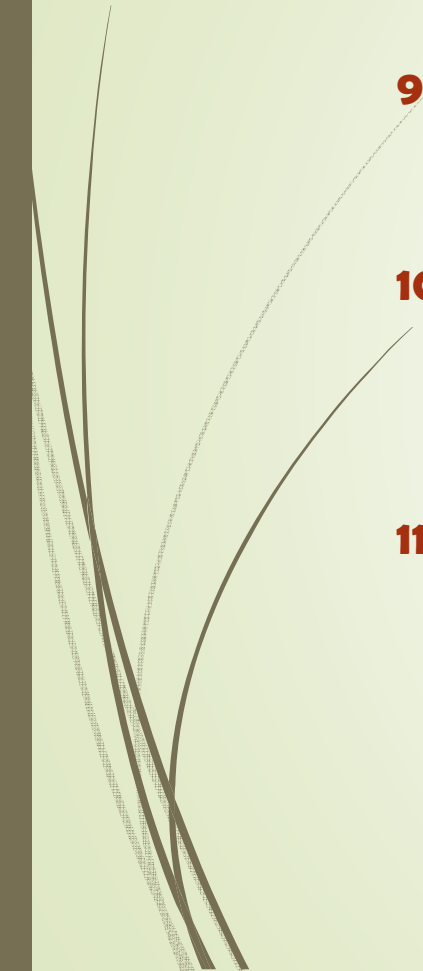


## Recommendations

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- 6. SMEDAN should collaborate with relevant agencies to champion the awareness creation, as well as organizing periodic training for the MSMEs on the benefits internet usage and how to leverage the internet to boost business growth and sustainability.**
  - 7. Government should strive to incorporate ICT skills in the schools, specifically the ICT skills that apply to electronic business management. A leading constraint for none adoption of internet presence by the MSMEs in Nigeria is shown to be lack of or limited ICT technical skill, especially for selling product and services to the foreign markets.**
  - 8. It is very important for the government to create enabling environment for electronic businesses and also invest in local startup ecosystems.**



## Recommendations

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- 9. Several enterprises interviewed for this research reported that poor government policies inhibit their free online business transactions, hence the need for improved policies.**
  - 10. It is highly important for the government to reduce or subsidize internet tariffs for internet access. Internet access tariffs are still very expensive in Nigeria, and is still a big barrier for many startups.**
  - 11. Government should remove market access and regulatory barriers to online business. This report identified a number of regulatory barriers for MSMEs to operate online business especially cross-border, such as in the areas of market access, customs procedures, online payments, and legal liability regimes.**





## Recommendations

- 12. Government should remove market access bottlenecks and regulatory barriers to online business especially the cross-border barriers, such as market access, customs procedures, online payments, and legal liability regimes. Almost all the MSMEs interviewed that sell goods online and deliver them physically cited these names.**
- 13. Government should review export promotion policy to meet the needs of local online businesses. Just like trade policy, export promotion needs to also change as business digitizes to accommodate the new trend. Governments not only need to grasp the opportunities of exports of digital goods and services, but also help MSMEs tap into the intra-regional digital market, as well as guiding MSMEs to use online tools and platforms for engaging in trade and pursuing new strategies for speedy economic growth**





## **Conclusion**

**This study findings has positive implications to the Nigerian MSMEs and the overall economy. The study provides an empirical tool that cuts across all the relevant actors in the electronic business ecosystem in Nigeria. Since it is an established fact that MSMEs are the backbone of every economy, especially the developing economy, this evidence-based study has extensively drawn rich recommendations which should be adequately leveraged by the Nigerian MSME policy makers, MSMEs, and other relevant stakeholders to strengthen internet leverage by MSMEs in order to strengthen their performance locally and globally. This will facilitate the promotion of the MSMEs in the local and global market arena, which will in turn enhance growth and sustainability of the MSMEs while driving innovations and boosting the economy.**

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