Chapter 5
Internet Banking Strategy in a Highly Volatile Business Environment: The Nigerian Case

Abel E. Ezeoha
Ebonyi State University, Nigeria

ABSTRACT

Internet banking strategy can be generally very challenging, but more challenging in an economic environment infested with high degree of corruption, insecurity, bad governance, poverty, and financial system instability. Due to its global nature, Internet banking, under such situation, is threatened by the easiness at which off-line crimes are transmitted into online businesses, and the difficulty in building trusts and confidence in online business relationships. Using the Nigerian case, this chapter aims at establishing some theoretical link between offline country image and Internet banking reputation. The chapter summarizes the structural and regulatory challenges in the Nigerian banking system. It represents and relates the country’s socioeconomic conditions with its Internet business reputation; and lays down past regulatory and global efforts to control the menace of the Nigerian version of Internet frauds. The last two sections of the chapter, respectively, suggest some future research direction and conclude the chapter.

INTRODUCTION

The volume of activities passing through the Internet has been on the increase since the start of the 21st Century. Production of goods do not in actual sense take place in the Internet, but basic services such as marketing, research and development, financial services, education and others are presently at the mainstream of Internet business development. Incidentally, as the volume of Internet-based business activities increases, so also has the rate of growth in frauds and crimes committed with the aid of cyber facilities and networks. Although the spread of this version of frauds defies geographical definitions, most of such frauds are linked to certain countries that are believed to be the rallying points and bases of cyber criminals. While some of the linkages
are traceable to the sources of cyber frauds and the identities of the perpetrators, others are based on the hardcore image of the affected countries. Hence, a country that is criminally notorious in the eyes of the international community may find it difficult exonerating itself of the allegations of being a base for cyber fraudsters.

Efforts on research and regulation at the moment are targeted at addressing the question of whether a country’s Internet business reputation is as a result of its hardcore image. The problem arising from this controversy is also heightened by the fact that while Internet activities are borderless, regulation is in most cases country-based and country-specific. Each country has a territorial authority on the structure and nature of laws governing the operations of businesses within its jurisdiction. Laws that are meant to govern domestic operations thus prove inadequate in controlling borderless Internet businesses. Some of the identifiable regulatory gaps have thus helped to increase the prevalence of Internet banking frauds in the global scene.

The Nigerian 419 ranks among the top cyber frauds in the world. This is evidence in the fact that an experiment using any of the search engines to link Nigeria and Internet businesses would commonly yield results that relate to 419 frauds. This strong online link between Internet business fraud and Nigeria has not only threatened the country’s e-business reputation, but has also negatively influenced the country’s international online business dealings. Part of the growing concerns on Nigerian Internet frauds is that it is the persistent negative hardcore reputation of the country that is responsible for its bad Internet image; and in view of this perspective, nationals of other countries found it convenient to use the Nigerian identity as a way of concealing their dirty deals. Undoubtedly, before Internet usage took a centre stage in the country in the mid-1990s, the country ranked high in terms of corruption, poverty, conflicts and bad governance. The business environment is also held globally as one of the most unsafe and unstable. The financial system, specially, was infested with high cases of frauds, distresses and failure, especially between the early 1980s and December 2005. Although some major economic and political reforms have taken place in the country since 1999, there are still trails of these negative global impressions about the country. These hardcore impressions have essentially resulted to some difficulties in making meaningful distinction between fraud perpetrated by Nigerians from Nigeria and those perpetrated by alleged Nigerian nationals overseas, and between Internet frauds actually committed by Nigerian nationals (irrespective of their places of residence) and those committed by other nationals that hide under the Nigerian impression.

The above notwithstanding, the Nigeria government and public have shown reasonable concerns on the continued high ranking of the country in Internet frauds. Because of the accepted premises that a country’s governance and safety index influence the level of capital inflows and (a) its business competitiveness, government over the years has come up with various initiatives to fight Internet crime. Most of the initiatives stretch from general to specific cyber-related regulations and guidelines. Popular among them are: The Money Laundering Act of 1995 (repealed by the Money Laundering Act of 2004) and the Advanced Fee Fraud (419) Act of 2006. There is also the set of Guidelines on Electronic Banking in Nigeria. The government has equally evolved some specialised institutional structures to fight internet-related frauds to change the image of the country abroad. Some of such structures are the Economic and Financial Crimes Commission (EFCC) formed in 2003, the Independent and Corrupt Practices (and Other Related Offences) Commission (ICPC), as well as the increased surveillance roles of the Central Bank of Nigeria (CBN). At the same time, series of judicial reforms have taken place between 1999 and date. The reforms are basically targeted at facilitating and sanitising the judicial processes to make them acceptable and reliable in the eyes of the international community.
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