



Application of E-Procurement on Banking in Abuja, Nigeria: A Study in Business Sustainability

By

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Abstract

Electronic procurement system continues the trend of reducing transaction costs by automating processes, replacing human labor with information technology. The capability to uninterruptedly advance functions, procedures and be creative in business has become an issue not only of innovativeness but eventually for business continuity and survival. This has been extended to the challenge in determining the influence of e-procurement on the purchasing functions in the banking activities. The objective of the study is to assess the application of e-procurement on banking industry and proffer recommendation for business sustainability. The study adopts multi-stage sampling techniques to obtain the sample of 25 banks from the population of 55 different banks. First bank (5) UBA (5) Access bank (5) Zenith bank (5) and FCMB (5) and administered the questionnaire in Abuja metropolis. Multiple regression analysis was performed to see if the independent factors of operating cost, operation efficiency and e-procurement have any effect on banking performance. The findings revealed that e-procurement improves operating effectiveness in banking activities. The study concluded and recommended that for e-procurement to become effective and important supply chain, top management need to adopt the

use of e-procurement in banking sectors in order to reduce the negative perception or error and enhance employee productivity.

Keywords: E-Procurement, Business sustainability, Banking activities, Liquidity, Business operation, Operating cost.

Introduction

The emergence of the internet represents a major new phase in business organizations, especially as it allows knowledge and information available to all citizens. Before the advent of the internet, procurement functions were perceived by many to be a routine and repetitive processes. This perception has been modified by the expanding capabilities of the world wide web in the recent years. Most organization used to have separate procurement offices or prefer to assign people within the individual department to specific procurement tasks. This process has been labor-intensive thereby making them costly and inefficient.

The idea of commercial banking started in 1891. The first commercial bank which is the African Banking Corporation opened its first branch in Lagos in 1892. Messrs Elder Dempster and Co, a shipping firm based in Liverpool, was Instrumental to its formation. The bank experienced some initial difficulties and eventually decided to transfer its interest to Elder Dempster and Co. in 1893. This led to the formation of a new bank known as the British Bank of West Africa (BBWA) in 1893 with a start-up capital of €10,000 during the same year. It was registered in London as a limited liability company in March 1894 and the first Lagos branch was opened in the same year. Other branches were opened in major West African cities like Accra, Freetown and Bathurst. The bank opened its second Nigeria branch in old Calabar in 1900 (Adekanye, 2004).

The British and French bank, now called United Bank for Africa was established in 1949 making it the third expatriate bank to dominate early Nigerian commercial banking. The foreign banks came principally to render services in connection with international trade, so their relations at that time were chiefly with the expatriate trading companies and with the government. They largely ignored the development of local African entrepreneurship (Isenmila, 2008). Electronic banking is the delivery of banks' information and services by banks to customers via different terminal devices such as personal computer and mobile phone with browser or desktop software, telephone or digital television. Electronic procurement known as e-procurement has been labeled as a tool that can improve competency and performance while enabling simplicity and automation. It is a technology that facilitates the acquisition of goods and services by a private or public organization over the internet. The most important of these, bothers on how best to employ the use of information technology in this era of communication revolution to enhance the procurement processes. The increasing use of the internet to support the execution of procurement activities in different industry has given rise to electronic e-procurement.

Statement of the Problem

Issues influencing the practice of e-procurement in Nigeria banking industries has not been adequately researched. In emerging nations, the capability to uninterruptedly advance functions, procedures and creativity in business has become an issue not only of innovativeness but eventually for business continuity and survival. There is a challenge of determining the influence of e-business on the management and operation of deposit money banks. This has been extended to the challenges in determining the influence of e-procurement on the purchasing functions in banking activities in Abuja Nigeria. Therefore, the extent to which banks can benefit from e-procurement is worthy of exploration. Additionally, both electronic banking and e-procurement are relatively new in the banking and procurement processes and as such suffers from dearth of

literature as researchers are yet to explore these operations as a distinct field of enquiry. This study therefore stands in the gap by the application of e-procurement to banking activities though with a focus on Abuja, the federal capital territory. Additionally, both electronic banking and e-procurement are relatively new in the banking and procurement processes and as such suffers from dearth of literature as researchers are yet to explore these operations as a distinct field of enquiry. This study therefore stands in the gap by the application of e-procurement to banking activities though with a focus on Abuja, the federal capital territory.

Conceptual Clarifications

The Concept of E-procurement

E-procurement does not however represent a single application but consist of many different tools. It encompasses application of several ICT tools a major part which is the internet to transform a traditional process acquisition, purchase or supply of goods and services into the e-processes such as e-tendering, e-awarding, e-auction, e-scorching, by a private or public organization. E-procurement does not however represent a single application but consist of many different tools (Salkute, 2013). James and Akayi (2016) noted that e-procurement system continues the trend of reducing transaction costs by automating processes, replacing human labor with information technology. E-procurement is changing the fundamental process involved in procurement to deliver significant change in paradigm of how procurement is done within and across the organization. It has the capability to deliver real measureable value while leveraging new, convenient e-commerce solution as a chain catalyst to pull the employees into the company's best deals and to align the purchasing habits of employees with the goal of the organization.

The Concept of Business Sustainability

Business sustainability must be considered in relation to the environment, economic development, human rights, women's empowerment, and the rule of law, according to the World Economic Forum (2014). They think that savvy organizations should incorporate larger sustainability concepts into their business decisions, as well as provide practical criteria and indicators to aid in the implementation of these principles. These policies are designed to maximize opportunities while minimizing the negative effect their primary operations have on the environment, community, and economy in the areas where they function.

Pojasek (2007) defined business sustainability as the avenue of realizing a corporation's vision and goal. It is the use of information, skills, tools, and processes in the activities, goods, and services of an organization. As a result, this investigation gives a working definition of business sustainability as any method by which a company can reach its mission and vision by handling business operations in a manner that is not harmful to the society in which it operates while also preventing the business from dying prematurely. Most businesses can attain long-term viability by using effective internet tactics. According to a survey, SMEs are the fastest growing sectors in various countries due to their significant input to export and job creation (Jaiswal, 2014). They will assist alleviate poverty by creating wealth and jobs if fully established with the use of internet facilities, but the current economic and political situations in many emerging economies have not allowed SMEs to grow (Etuk, Etuk and Michael, 2014).

The basic goal of any business, great or little, is to endure or subsist. As a result, the idea of business continuation emerges. The only way for a company to stay in business is for it to break even and make a profit in its operations. As a result, the concept of business sustainability aims to explain how a company might be in operation for a long time. Business sustainability is described as a mixture of environmental, social, and economic performance. Doane & MacGillivray, (2001) noted that there is widespread agreement that individual businesses should strive for sustainability in order to avoid the disastrous and wasteful effects of corporate untimely demise, as well as to allow and guard social and environmental creativities, which are typically the outcome of many developed enterprises. Sustainability is now an important aspect of today's company operations, and most scholarly material has focused on giant organizations rather than SMEs, since SMEs are thought to lack adequate resources (Salimzadeh, Courvisanos & Nayak,2013; Gayfutdinov, 2014). Because of absence of monetary and human resources, both large and small businesses, particularly financial institutions, need to incorporate sustainability in enterprises (Kiron, Kruschwitz, Rubel, Reeves,and FuiszKehrbach, 2013; Shields and Shelleman, 2015).

Literature Review

Ogunsola (2009) worked on the influence of e-procurement on purchasing management in a crude oil and gas producing company in Nigeria. He observed that e-procurement is a business model that applies consumer friendly web technology to simplify the corporate purchasing process and to integrate buyers' and suppliers' business process. It was found that e-procurement had a positive influence on purchasing management in crude oil and gas producing company with need awareness in Lagos Nigeria.

Nwite and Ogiji (2009) worked on the influence of e-insurance on the Grievance Redress Mechanism GRM for effective insurance intermediation in Nigeria. The study found that e-insurance had a positive influence on Human Resource Management HRM for effective insurance intermediation in Nigeria. Umukoro, Oshoiribhor, Ogbogbo and Adjekukor (2010) worked on the influence of e-banking on the financial management of some commercial banks in Nigeria. They discussed the usability within the e-banking sectors and common usability problems and the ways to resolve it. They showed that e-banking through the internet could be useful in providing information on all aspect of financial management. It could provide information that would bring in funds into the businesses and the sources of short term and long term funds. The study found that e-banking had a positive influence on the financial management in some commercial banks in Nigeria. It could also provide information on the dividend function on how to remunerate the shareholders of the business.

Theory of Liquidity – A Framework of Analysis

Liquidity is the ability of a bank to meet its obligations in cash (McKenna and Fleming, 1994). Liquidity is the most important concept in corporate financial planning and control in the banking industry. Liquidity is measured by the amount of cash or near cash assets that a bank possesses to transact its businesses and finance its operations without hindrance. So it has to do with the possession of cash, debtors and short-term marketable securities such as treasury bills and treasury certificates, bank's unit fund and long term investments about to mature within a year (Osaze and Anao, 1990). Amihud and Mendelson (1991) studied the effects of liquidity on

asset prices which were due to the need for the compensation for bearing transaction costs. Transaction costs are paid whenever an asset is traded form a sequence of cash flows.

The theory of liquidity had its consequence on deposit money banks. They needed to be liquid to play their unique role of financial intermediation in channeling funds from surplus business transactions and economic development generally. The relevance of this theory to this study is that creativity in business has become an issue not only of innovativeness but business continuity this has been extended to the challenge in determining e-procurement on banking activities as a tool that can improve competency, performance and safe cash to meet obligations.

Research Methodology

The study adopted multi-stage sampling techniques to obtain the sample of 25 banks from the population of 55 different banks; First bank (5), UBA (5) Access bank (5), Zenith bank (5) and FCMB (5) and administered the questionnaire in Abuja metropolis.

Method of Data Analysis

Correlation method was employed to see if the dependent indications of working cost, business efficiency and e-procurement are connected to banking activities. The researchers performed multiple regression analysis to see if the independent factors (operating cost, company efficiency and e-procurement) have any effect on banking performance.

Correlation of the Study Variables

	Banking Performance	Operational cost	Efficiency of business operation	E-procurement
Banking Performance	1			
Operational cost	0.500**	1		
Efficiency of business operation	0.461**	0.733**	1	
E-procurement	0.646**	0.593**	0.567**	1

Multi-variable Regression Analysis

There is a 0.4863 intensity connection between the aggregated independent factors and the dependent indicators, as illustrated by R. The independent factors explain 18.42 percent of the variations in banking performance in Abuja metropolis, as demonstrated by the adjusted R2. As

stated in the model summary, the difference between R2 and corrected R2 indicates the extent of the error in the error term.

Model summary

Model	R	R Square	Adjust R2	Std. Error of the Estimate
1	0.4863(a)	0.23648769	0.1842281	0.4082

a predictors (Constant): operation cost, efficiency of business operations, e-procurement

The study demonstrates that the model fits well, with an F-value of 8.888 indicating that the model is dependable up to a 97.5 percent level, as revealed in the analysis of variables (ANOVA).

ANOVA

Model	Sum of squares	DF	Mean square	F	Sig.
1 Regression	1018.007	3	339.336	8.888	.025(a)
Residual	954.428	25	38.177		
Total	1972.435	28			

a. predictors (Constant): operation cost, efficiency of business operations, e-procurement

b. dependent Variables: banking Performance

Based on the coefficients matrix, the following model was recognized from

$$Y = 0.9572 - 0.057x_1 + 0.073x_2 + 0.068x_3, \text{ evaluated with no error.}$$

Except for the constant, all of the variables were statistically significant at the 5% alpha level, as shown by the p-values. All of the parameters, even the constant, were statistically significant, with values larger than absolute 1.96, according to the t-values. Operational cost is the most illustrative separate measure of the independent indicators, with the least standard error (non-standardized coefficients), according to the standard error results (non-standardized coefficients).

Coefficients

Model	Non-standardize coefficient		Standardize coefficient	t	Sig.
	B	Std. Error	Beta	B	Std. Error

1 (Constant)	.9572	.3167	.759	3.0224	.379
Operational cost	-.057	.026	.055	-2.1923	.004
Efficient of business operations	.073	.030	.069	2.4333	.001
e-procurement	.068	.033	.060	2.0606	.018

Research Findings

The results of the study revealed that e-procurement improves operating effectiveness in banking activities which gives room for the creation and implementation of a competitive advantage over rivals. It also disclosed that consumers have easy direct exposure to in-depth online information about products or services and implementation of digital marketing, leading to better consumer purchase decisions to be made more quickly. The findings concur that the major characteristics of production and efficiency practice in banking industry include lowering the cost of everyday operations, swelling the speediness of scale of delivery, expanding flexibility and obtaining economies of scale.

Conclusion and Recommendations

E-procurement has provided businesses with new chances to interact and engage with target audiences more effectively. For e-procurement to become effective and important supply chain, top management need to adopt the use of e-procurement in banking sectors in order to reduce the negative perception or error and enhance employees' productivity. In view of this conclusion, this study recommends that government should adopt ICT policies to ensure supportive infrastructure and provide continuous learning opportunities for optimum use of the practice of e-procurement. Equally, a legal framework stating the obligation and responsibilities of the partners in transacting online business should be clearly stated.

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