

ICT Business in Nigeria: Challenges and Opportunities

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Protocols

1. INTRODUCTION

Doing business in Nigeria can be tough and risky. One could grow gray hairs prematurely, or become highly hypertensive overnight. But when one gets it right the returns are usually well over world average, particularly in the IT and Telecommunications sector.

This is one sector, which has witnessed tremendous progress in the last four years. It is one sector where the “dividends of democracy” are evidently manifest.

Two years ago, Nigeria had a cellular mobile network capacity of 210,000 lines, out of which only 26,500 were connected. Today close to two million people have GSM mobile phones. Progress has also been made in the provision of wireline and fixed wireless phones. A Second National Operator (SNO) has been licensed and is expected to start rolling out any moment from now.

There are indeed several other indications that considerable progress has been made in the IT and Telecommunications sector since the advent of democracy.

The awareness of the potentials of using IT to transform the nation’s economy is already widespread among policy makers and leaders of the organized private sector.

Indeed, there are already in place a National Telecommunications Policy, and also a National IT Policy that has specific goals and targets. On its part, the sector’s regulator, the Nigeria Communications Commission (NCC) is rising up to the challenges of being an impartial arbiter.

As it is in the Vision documents of many other countries desiring to take advantage of new technologies to transform their economies, the two national policies placed the heavy burden of leading the thrust of development of IT and telecommunications in Nigeria at the doorstep of private enterprises.

It is against this background that I shall be discussing the challenges of venturing into the Nigeria ICT market, and the opportunities there are for those who are willing to take the risk.

I shall start by looking at the state of our ICT development just at the dawn of democracy and where we are now, the operating environment, the obstacles there are for a start up to

succeed in the sector, the opportunities for success, and how successful such a venture can be.

2. WHERE WE WERE

Nigeria is a classic example of a paradox. A country richly endowed with natural and human resources, being at the same time in huge debts with impoverished people. The discovery of oil brought on the nation what the World Bank in a 1995 study described as the “resource curse”.

Whereas, many countries with fractions of the resources bestowed on Nigeria have made more progress in all spheres of their economy. Evidences to prove this assertion abound even in the Information and Communications Technology sector.

The most recent of the yearly statistics by the International Telecommunications Union (ITU) indicate that as at year 2001, Nigeria has just 723 hosts on the Internet, out of the total 274, 722 for the whole of the African Continent. This represents a mere 0.263%. South Africa with 238,462, Namibia (4,632), Zimbabwe (3,494), Cote d’Ivoire (3,131), Mauritius (3,126), Kenya (2,702), Morocco (2,454), Senegal (1,836) and Egypt (1,802) are all ahead of Nigeria with more live machines on the Internet.

Of the 52 countries rated on the African Continent, Nigeria ranked 16th in terms of Internet hosts. (See Fig 1)

	Countries	Internet Hosts	Percentages
1	South Africa	238, 462	86.801%
2	Namibia	4, 632	1.686%
3	Zimbabwe	3, 494	1.272%
4	Cote d’Ivoire	3, 131	1.140%
5	Mauritius	3, 126	1.138%
6	Kenya	2, 702	0.984%
7	Morocco	2, 454	0.893%
8	Senegal	1, 836	0.668%
9	Egypt	1, 802	0.656%
10	Tanzania	1, 478	0.538%
11	Botswana	1, 273	0.463%
12	Swaziland	1, 142	0.416%
13	Rwanda	1, 133	0.412%
14	Zambia	1, 095	0.399%
15	S. Tome and Principe	927	0.377%
16	Nigeria	723	0.263%

Figure1

In terms of PCs, the figures show that Nigeria has just 800,000 which represent 10.585% of the total 7,558,000 on the continent. Nigeria however, ranks third in Africa using this yardstick after South Africa (3,000,000) and Egypt (1,000,000).

The ITU 2002 report, in terms of “Main Telephone Lines” put the total number in Africa at 20, 918, 300 in year 2001, with Nigeria responsible for 500, 000, which represents 2.390%. Figure 2 shows Nigeria’s position on the continent of 52 countries. (Note GSM was not considered).

Countries	Main Telephone Lines (2001)	Percentages
Egypt	6, 650, 000	31.79%
South Africa	4, 969, 000	23.75%
Algeria	1, 880, 000	8.99%
Morocco	1, 191, 300	5.70%
Tunisia	1, 056, 200	5.05%
Libya	610, 000	2.92%
Nigeria	500, 000	2.39%

Figure2

The ranking of nations on the basis of Information Technology by other groupings consistently put Nigeria near the bottom.

The Networked Readiness Index (NRI) compiled by the Information Technologies Group of the Center for International Development at Harvard University put Nigeria as the last of 75 countries ranked.

The group defined Networking Readiness as “the degree to which a community is prepared to participate in the Networked World, and includes its potential to do so in the future”. According to the group, Networked Readiness suggests that “the top-ranked country is the one with the most highly developed ICT networks and the greatest potential to exploit those networks’ capacity”. See figure below for selected NRI rankings.

US	-	1	Japan	-	21
Iceland	-	2	France	-	24
Finland	-	3	Malaysia	-	36
Sweden	-	4	South Africa	-	40
Norway	-	5	Mexico	-	44
UK	-	10	Egypt	-	60
New Zealand	-	11	Zimbabwe	-	70
Korea	-	20	Nigeria	-	75

Other indicators abound that Nigeria was lagging behind in the utilization of Information Technology and losing out in terms of the concomitant benefits. But a review of the present situation seems to indicate that there have been significant improvements.

3. WHERE ARE WE NOW

3.1 The National Telecommunications Policy 2000

In May 2000, the federal government came out with a National Telecommunications Policy, which recognizes that an efficient, reliable and affordable telecommunication system is a key factor in the overall development of any nation, and that such a system must be universally accessible and cost-effective.

The overriding objective of the Policy is to achieve the modernization and rapid expansion of the telecommunication, network and services, with the ultimate goal of making telecommunications service, efficient, affordable reliable and available to all.

The policy has nine short-term objectives, expected to be achieved within three years, and nine medium-term objectives with five years as target.

In about the three months, the three years target for the short-term objectives could lapse, and we should be able to assess how well the various stakeholders have done in meeting their own aspects of the target.

The short-term objectives include having a minimum of 2 million fixed lines and 1,200,000 mobile lines, promotion of widespread access to advance communications technologies and services, in particular the Internet and related capabilities, and promotion of competition to meet growing demand through the full liberalization of the telecommunications market.

Among others the medium-term objectives seek to encourage Nigerian telecommunications operating companies to become global leaders; encourage domestic production of telecommunication equipment and development of related software and services; encourage the development of information superhighway that will enable Nigerians enjoy the benefits of globalization and convergence; and create the enabling environment, including the provision of incentives, that will attract investors, and resources to achieve objectives.

The seventeen-chapter document clearly spells out strategies for development various sub sectors of the telecommunications industry. For the Internet sub sector, the policy affirms government's realizations of the immense opportunities that the Internet offers today and the future prospects it promises. Accordingly, it stated that government shall make all efforts to promote the rapid development of Internet infrastructure, services and content.

Strategies listed for achieving these are:

- i). Government shall encourage the provision of the elaborate infrastructure required to have fast and reliable Internet access through institutional and private sector participation.
- ii). Government shall encourage the development of Internet content that will promote the Social, economic and political development of Nigeria.
- iii). Government shall continue to closely monitor the emerging applications of the Internet in areas such as banking, telephony as well as e-commerce and enact the appropriate legislation and incentives that will encourage their use to promote rapid socio-economic development.
- iv). Government shall promote the use of Internet in health, agriculture, education and research, and encourage private sector participation in this project.

3.2 The National Policy for Information Technology

The National Policy for Information Technology was formulated in year 2000 and has the National Information Technology Development Agency (NITDA) as implementing body. According to its Vision Statement, the Policy is aimed at making Nigeria an IT capable country in Africa and a key player in the Information society by the year 2005, using IT as the engine for sustainable development and global competitiveness.

The mission statement, centers on using IT. It is to “USE IT” for education, creation of wealth, Poverty eradication, job creation, and global competitiveness.

Notable aspects of the General Objectives include:

- To ensure that Information Technology resources as readily available to promote efficient national development.
- To create an enabling environment and facilitate private sector (national and multinational) investment in the IT sector.
- To encourage government and private sector joint venture collaborations.
- To promote legislation (Bills and Acts) for the protection of online business transactions, privacy and security.
- To create special incentive programs (SIPs) to induce investment in the IT sector.

Some of the strategies highlighted for achieving these objectives include:

- Establishing a National Information Technology Development Fund (NITDEF) under the aegis of NITDA and funded with a start up grant of \$150m, two percent of national capital budget allocated to the fund until the articulated vision is attained, and three percent tax on all imported finished IT products.
- Strengthening government and private sector collaboration of the attainment of national self-reliance.

- Encouraging massive local and global IT skills acquisitions through training, in the public and private sectors with the view to achieving a strategic medium-term milestone of at least 500,000 IT skilled personnel by the year 2004.

Specific Implementation Strategies, includes:

- Developing an integrated, flexible, robust and reliable transmission network covering the entire country and capable of voice and data by 2003.
- Establishing IT parks as incubating centers for the development of software/hardware applications at national, state and local levels.
- Communication with Internet POPs should be regarded as local calls, to reduce the costs and make sure services affordable to the populace.
- Reducing the rates and tariff for all Telecommunication services to a level reasonable and consistent with economic realities of the country and the global trends.
- Reducing the bandwidth rates, both domestic and international, dramatically to encourage the rapid launch of new services and distance learning and also provide a competitive edge to local companies trying to break into established international markets.
- Establishing web sites for improved government image and as information centers for the citizenry.
- Giving ISPs approval to develop high-speed gateways with no licensing fees.
- Encouraging the private sector to develop software for government and non-classified defence projects.
- Establishing an Overseas Strategic Advisory Board of Nigerians in Diaspora in IT and related industries not only for advice but also for investment and participation in IT projects and activities in the country.
- Enacting Bills and Acts to stimulate and protect the right of users and developers including intellectual property rights.
- Establishing Government IT Procedure Act (GITPA) to enhance equipment standards, performance and security.
- Encouraging Internet telephony as well as Voice over Internet Protocol (VoIP), to reduce the cost of telephony and make such services affordable to the populace.

3.3 The Operating Environment

The prevailing macro-economic situation in Nigeria today presents an interesting picture. Ours is the most populous country on the African continent, with an estimated 125 million people. Of these, about 50 per cent are younger than 18, while 45 per cent are below 16 years. There are 22 million households.

The GDP per capita, estimated at \$350 is quite low. But there exists a strong Informal Economy, which accounts for between 40 and 70 per cent. Television and Radio penetration are estimated at 6 per cent and 20 per cent respectively.

In the Telecommunications sector, a Second National Operator, Globacom, has been licensed to compete with NITEL, hitherto the government-owned monopoly and dominant carrier. It is now being privatized.

NITEL has a landline capacity of about 700,000 with around 500,000 lines connected. It also operates a GSM network, with about 120,000 subscribers. Globacom, which also has a GSM licence, is planning big. Already, roll out equipment worth \$1 billion have been imported towards the launch of its service, which is expected any moment now.

All the three GSM operators currently offering service – MTN, Econet and NITEL – have exceeded their roll out obligations. According to their licences, each of them was expected to connect 100,000 subscribers within 12 months of commercial launch, 750,000 subscribers after 3 years, and 1.5 million within 5 years.

But one of the operators, MTN, last month reached the one million subscribers mark within one and a half years of commercial launch. Econet is about meeting the number of subscribers set for three years in half that period.

Apart from exceeding roll-out targets in no time, the GSM operators have also demonstrated that huge revenues could be reaped. The MTN, for example, is making an Average Revenue Per User (ARPU) of \$54 per month in Nigeria. This is about 150 per cent higher than the global average of \$22.

The Private Telecommunications Operators (PTOs) too are generating interesting margins. Most operate Fixed Wireless services. But a few have started laying cables in different parts of Lagos. There is also a race to modernize and expand their networks. Figures of their present combined total capacity are not readily available. But about a year ago, their combined subscriber base stood at about 50,000.

Competition amongst them is forcing down acquisition cost. It has also spurn a race to make their networks data capable. Existing subscribers and prospects are impressing it on the PTOs their desire for phones that could be used for dialing up to the Internet. One or two of the operators have enabled their networks to carry data, and are bundling Internet access at little or no extra cost with the subscription package.

Competition is also very keen in the Internet Services Provision business. There are presently over 200 licensed ISPs and new ones are springing up everyday. However, the major players are not more than 10, and are concentrated in the major cities, particularly Lagos. The rate of failure in this sub-sector is also high.

Most of the ISPs still focus on providing access, by dial-up, wireless and VSAT. Little is being done locally as regards Internet content and Web hosting.

Tariff for access has fallen to as low as N6, 000 per month for unlimited 24/7 access to the Internet by dial-up. Most providers are hedging their bets by establishing Cyber cafes,

to generate additional revenue and keep afloat. The major players also supplement income by implementing projects for big organizations.

3.4 Getting Licensed: The Process, The Cost

The Nigerian Communications Commission (NCC) is the regulatory body for the IT and Telecommunications sector. Its major functions include licensing of telecommunications operators, facilitating private sector participation and investment in the telecommunications sector, establishing and supervising technical and operational standards, ensuring that the interests of consumers of telecommunication services are protected, and mediating between operators/carriers/consumers.

Though established since 1992, it was not until the enthronement of democracy in 1999 and the attendant deregulation of the telecommunications sector that the NCC started playing these roles to any meaningful extent.

Now all telecommunication service operators are required to apply to the NCC for relevant licenses and permits. There are two kinds of licenses, Major and Basic. Permits are required for the provision of services like Sale and Installation of Terminal equipment, Repairs and Maintenance, Cabling, and Tele-Centres/Cyber Cafes.

The Procedure for the award of licenses and permits are as follow:

Step One: Obtain Application form(s)

Step Two: Receipt and Acknowledgement of receipt of application

Step Three: Checks and Evaluation

- Legal check
- Licence check
- Service check
- Business plan evaluation (applicable to major licences only)
- Technical plan evaluation
- Organizational plan

Step Four: Presentation of Project Implementation Plans and Status report (applicable to network and network-based services)

Step Five: Recommendation

The licence fee payable depends on the type of licence. However, the fees for some licences are determined through auction.

The licences and the fees payable are presented in the tables below:

MAJOR LICENCES

S/N	SERVICE/UNDERTAKING	CATEGORIZATION	VALIDITY PERIOD	LICENCE FEE(=N=)	ANNUAL OPERATING FEE (=N=)
1.	Commercial Trunk Radio Network Service		10 Years	3.00 million	2.5% of Net Turn over.
2.	GMPCS	Sales and installation of terminal or other Equipment.	5 Years	500,000.00	2.5% of Net Turn over.
		Service Provider	10 Years	5.00 million	1.0% of Net Turn over.
		Land Earth Station Operator.	10 Years	10.00million	1.0% of Net Turnover.
		Group License	10 Years	Not Yet Determined.	1.0% of Net Turnover.

BASIC LICENCES

S/N	SERVICE/UNDERTAKING	CATEGORIZATION	VALIDITY PERIOD	LICENCE FEE(=N=)	ANNUAL OPERATING FEE (=N=)	COMMENT
1.	Sales/Installation of Terminal Equipment & Sales of Cables.	A – Mobile Cellular Handset and HF/VHF/UHF Radio.	5 Years	250,000.00	2.5% of Net Turn over.	Includes items in the Permit Schedule plus PABX above 30 lines up to 100 lines.
		B – Satellite Terminal Equipment only.	”	500,000.00	2.5% of Net Turn over.	Includes Category (A) above plus: Insatallation of INMARSAT and other GMPCS Terminal Equipment.
		C 1- Network Switching Equipment.	”	1,000,000.00	2.5% of Net Turn over.	Includes Category (A & B) above plus: Insatallation of VSAT networks and switching Equipment up to 600 lines.
		C 2- Network Switching Equipment.	”	2,000,000.00	2.5% of Net Turn over.	Includes Category (A & B & C) above plus VSAT networks installations and switching Equipment above 600 lines.
2.	Public Payphone	A – National	5 Years	500,000.00	2.5% of Net Turn over.	For Card-operated phone boxes only.
		B – Regional	5 Years	250,000.00	2.5% of Net Turn over.	
3.	Internet Services		5 Years	500,000.00	2.5% of Net Turn over.	

4. THE CHALLENGES

In discussing the pros and cons of venturing into business in Nigeria, it is better to err on the side of caution than optimism.

4.1 WEAK NAIRA

Unless the business is such that no imported input is needed, which is very rare, only then would the almost daily depreciation of the Naira not be a great concern.

In the IT and Telecoms sector, a dominant percentage of the hardware and software needed for carrying on the business have to be imported. As such, the more the Naira depreciates, the more expensive these things become in terms of Naira Value. In fact the heart of some incumbent operators in the sector, who were able to finance their equipment in terms of foreign-currency denominated loans, skips a beat every time the national currency experiences a major plunge.

In July 2002, the Central Bank introduced the Dutch Auction Exchange (DAS) to replace the Interbank Foreign Exchange Market (IFEM) in a bid to stem the depreciation of the Naira. Between then and last month, our national currency lost an average of 2 kobo per day against the US dollars, exchanging at about N127.76 to one officially.

The reintroduction of the DAS by the Central Bank seems to be achieving the objective to a certain extent. The argument by some top bankers now is that the Naira has been kept relatively stable and that the challenge is to sustain this stability.

Regardless of the DAS market, most IT and telecom companies still face the challenge of getting their foreign currency needs at the official rate and usually have to turn to the parallel market because the requirement for participation appear skewed against them. The implication of this is that they have to pay between 9.1 percent and 14.8 per cent more which is the gap between the official and parallel market rates.

4.2 HIGH COST OF FUNDS

All businesses need to raise funds at one point or the other. The cost at which these are available often determine whether an opportunity could be taken and/or threat warded off.

The cost at which funds are available in Nigeria is very high indeed, and this is slowing the growth of the nation's economy and adversely affecting the real sector. The President had to intervene at a point last year when he met with the bank bigwigs appealing to them to review downward their lending rate.

The bankers' argument was that they mobilize their funds at very high cost in the face of intense competition and liquidity squeeze. They also blamed the situation on the cost at which government itself places funds in banks.

However the Bankers Committee, comprising chief executives of the Central Bank, banks and some other financial institutions recently took a positive move by lowering the Minimum Rediscount Rate (MRR), the rate at which the CBN lends to banks from 22.5 per cent to 16.5 percent and stipulating that the lending rate should not be four points above this rate (i.e. 20.5 per cent).

You will agree with me that a double-digit interest rate is an obstacle to the growth of business in any country.

4.3 UNSTABLE POWER SUPPLY

It is already common knowledge now, amongst International entrepreneurs that planning for businesses in Nigeria cannot be based on relying on public power supply. What some companies had resorted to for years now is to "operate on Generator, and put NEPA on stand-by".

A lot has been done by this civilian administration to improve on the generation capacity of the National Electric Power Authority (NEPA). Thousands of power transformers have also been imported and distributed. Independent Power Projects (IPPs) are now operational in some states.

Frankly, at a point the public power supply situation improved remarkably. But it seems the gains made are of recent being lost.

4.4 COMPETITION

The IT and Telecoms sector in Nigeria is as competitive as it can get anywhere else. The rate at which rival products and services spring up is quite frightening.

As an example, a year ago, there were less than 10 companies in the business of providing VSAT solutions, usually the high-end Ku and C-band grades. They rarely advertise. Those who need the service would eventually get to know them. Then knowledge about VSAT was esoteric, even among technology companies.

But within months of the emergence of lower cost VSATs on the global scene, the number of companies in this line of business has doubled several folds, while adverts on VSATs are as common in newspapers as those of laptops. Also knowledge about satellites is more or less universal within the technology and business interest circles.

4.5 ADVANCE FEE FRAUD (419)

As we all know, Nigerian fraudsters are doing a lot of damage to the image of the country and to Nigerian businesses that are increasingly finding it difficult to transact business with Europeans and Americans.

The way Advance Fee scams work is that Nigerian fraudsters send uniform letters, faxes or emails to several foreigners listed in directories, usually thousands, claiming to be in position to transfer huge sums out of the country and offering the individual huge sums of money in exchange for the use of their accounts.

Nowadays, it is likely that an enquiry from a Nigerian company and even online orders made to an European or American concern would be ignored because of fear of being scammed.

Despite national and international efforts, the practice seems not to be abating. The Nigerian government and the Organized Private Sector need to address this issue more frontally.

This is becoming more urgent in the light of recent report in the Financial Times of a new dimension to 419. The report said that Nigerian criminal gangs have infiltrated banks in the UK and elsewhere, and are draining innocent customers of their savings and deposits.

4.6 CONNECTIVITY PROBLEMS

These are challenges peculiar to the Internet sector. It is sad to note that up till today there is no Internet Exchange Point in Nigeria. Local Internet traffic still has to transit through points in Europe and America at great cost. I am, however, happy to inform you that efforts are at advanced stage by the Internet Service Providers Association of Nigeria (ISPAN) to put in place one soonest.

The other connectivity challenge is that of obtaining E1 lines. NITEL is the major telephone operator (at least, until Globacom rolls out, and if we disregard GSM) and to get E1 lines from it could sometime take years. But there is high probability that the situation would change with its impending privatization and competition from the Second National Operator.

4.7 HIGH DUTY AND TAX REGIME

For players in the IT and Telecoms sector in Nigeria, the duty on imported equipment is a whopping 25 per cent. This is quite exorbitant. Though Government announced a reduction of duty on telecoms equipment to 5 percent, the truth is that only GSM operators and a few PTOs are able to benefit from this. The ISPAN has been lobbying to get the same rate for its members for over 1 year now without success.

Tax on company profits in Nigeria is set at about 35percent. This is also rather high. For those of us in the IT and Telecoms sector, that is not the only charge on our earnings. The NCC still expects 2.5percent of our Net Turn Over annually.

4.8 CABLE AND FACILITY VANDALISATION

Nigeria is one country where public facilities are vandalized. This practice, which started as far back as the 80s, with the vandalism of NEPA and NITEL equipment/cables, is still on though on a lesser scale.

Private operators face much the same risk as these public utilities, especially in sparsely populated areas.

4.9 RELATIVELY LOW CONSUMER PURCHASING POWER

There is almost nothing that can not be afforded by Nigerians. The question any one thinking of a mass market product or service has to ask himself is “ would enough

number of Nigerians be able to afford this product/service as to make it a worthwhile venture? Can they be persuaded within a reasonable marketing budget to buy?”.

Once the answer to the two is “YES”, then it is safe to Proceed.

The Nigerian business environment is not only full of challenges, but also opportunities that may not be found in most other countries.

5. OPPORTUNITIES

5.1 HUGE MARKET

In Nigeria, the sky is big enough for as many birds as possible to fly. With a population of 125 million people spread over a landmass of about one million square kilometers, the market is big enough for hundreds of thousands of businesses, big and small, to thrive.

Nigeria’s huge market is in fact one of the main arguments against splitting up the country. It is one of the things keeping us together. It is one of the factors attracting foreign investment to Nigeria, despite the inadequacy of infrastructure facilities.

5.2 EXCESS DEMAND FOR INTERNET SERVICES

When the GSM operators were about to launch, just over a year ago and they announced a tariff of ₦25 per minute and N4,000 monthly access fee for their contract packages, most people, including yours truly, believed they had gotten it wrong, that Nigerians would not pay that much. But we have been proved wrong.

The operators had factored in huge unmet demand for telephone services before agreeing to buy their licenses at \$285 million. Their reason then was excess demand, and they were banking on innovative marketing to recoup their investment and become profitable.

They have since been proved right. These operators now have more “ Pay-As – You-Go” customers paying N50 per minute (more seriously N50 per second, because the operators bill in minutes, so anything between 1-59 seconds is rounded off to one minute) than contract subscribers.

Having been in the Internet business for over seven years now, I know that there is still excess demand for Internet services in several parts of the country, aside from Lagos, Abuja and possibly Port Harcourt.

As we all know, products/services could be sold at premium in situations where there are more demand than supply.

5.3 SEVERAL VIRGIN AREAS

This point is quite similar to the one just raised. These are still several parts of Nigeria where Internet services (access, training, project implementation, cyber cafes, web development, etc) have not been taken to. New entrants could do a careful study of these areas, and decide to tap into them. I can assure you that any such venture based on a sound business plan is bound to yield rich, juicy fruits.

5.4 FAVOURABLE DEMOGRAPHICS

I have highlighted this point earlier on. More than half of Nigerians are under the age of 18. To a businessman with a long-term plan, the implication of this is quite obvious. There are opportunities for market now and in the future. Contrast this to the situation in some developed countries where just about 15 percent of the population is teenage. There is little hope for good business in the nearest future in such places.

5.5 LARGE INFORMAL ECONOMY

Over a decade ago, former military president, Ibrahim Babangida was perplexed at the resilience of the Nigerian economy. Having tried all sorts of policies, he was reported to have said he could not understand why the economy had not collapsed.

He needed only to have taken trips to Idumota, Oke-Arin, Ojuwoye, Onitsha, Alaba International and Kano central market, among others, to know why.

A lot of Nigerians have mastered the art of trading. Some traders are richer than companies. Their turn-overs are not only higher, but their profits too. And it would not be wrong to say that more Nigerians derive their livelihood from being in trading or self-employment than from working in the formal sector.

To an entrepreneur seeking to venture into Nigeria, this should offer some comfort.

5.6 PROVEN HIGH YIELDS

Two recent independent reports on the success of GSM in Nigeria indicate that IT and Telecoms businesses can be very high yielding.

Worldwide, the key indicator of the performance of a mobile operator is the Average Revenue Per User (ARPU).

ARPU shows how much an average subscriber of a particular operator spends on airtime per month. So, the higher the ARPU, the better performing the operator is.

The global average for ARPU is \$22. But in Nigeria, the ARPU of GSM operators is about four times this.

No doubt ARPU is usually higher than average in virgin or emerging countries. The case of Nigeria, even at that, is exceptional. According to Pyramid research, a Europe-based Telecoms research group, Nigeria's ARPU was \$80 one year after Commercial Launch Date (CLD).

Apart from Kenya where the average user spent \$81 within one year of the launch date, the figure for other countries were as follows: South Africa \$63, Cote d'Ivoire \$61, Senegal \$32, and Namibia \$18.

The figures released by one of the GSM operators in Nigeria, MTN, which also operates in five other countries, show that while it is making an ARPU of \$54 in Nigeria, it makes only \$22 in Cameroun, \$33 in Uganda, \$27 in Rwanda, and \$22 in Swaziland. In its home country, South Africa, it is making R103 from prepaid subscribers and R611 from post paid ones.

5.7 STABLE REGULATORY ENVIRONMENT

The regulatory environment in Nigeria's IT and Telecoms industry has been stable since the advent of democracy, and there are signs of further stability.

The House of Representatives recently passed a new bill which would repeal the NCC Act of 1992. The new bill would further strengthen the NCC as an independent regulatory body for Telecoms, establish the National Frequency Management Council and the Universal Access Fund.

5.8 RELATIVELY LOW COST OF LABOUR

For several reasons, including the high rate of unemployment, the cost of labour in Nigeria is relatively low. However, highly skilled and talented individuals come at a premium.

5.9 FORMIDABLE INDUSTRY ASSOCIATION

The IT and Telecoms arm of the Organised Private Sector is quite vibrant. Apart from the umbrella Nigeria Computer Society (NCS), there are several industry associations championing the causes of members.

These include ISPAN, Association of Telecommunication Companies of Nigeria (ATCON), and the Information Technology Association of Nigeria (ITAN).

6. CONCLUSION

Technology is today an important factor in the economic growth and development of countries. The greatest indicators that Nigeria as a nation has realized this are the formulation of the Telecoms and IT policies, as well as the empowerment of an independent regulator for the sector.

The government has taken several steps to create an environment good enough to attract investment and ventures by entrepreneurs. But a lot still have to be done to improve on existing infrastructure.

For entrepreneurs, opportunities abound. The market is huge. There are several virgin areas, incredibly high demand for existing and new products, and opportunities for huge revenue.

But there are also formidable challenges. How well the entrepreneur is able to tackle these challenges and take advantage of the opportunities highlighted in the course of this paper would determine whether his business would become classed as a reference point for success or a failed venture.

Thank you.