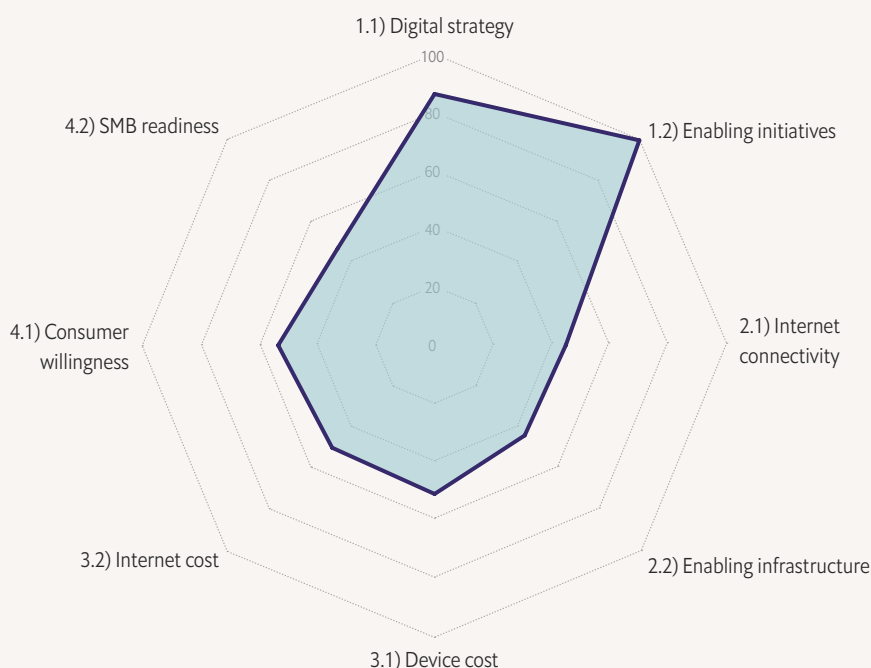


Nigeria

- Nigeria’s policy framework for the digital economy is strengthened by the presence of a digital ID system, open data policies and, importantly, universal data privacy legislation.
- The government must focus on infrastructure improvements, particularly enabling elements such as smartphone penetration, data centres and access to electricity.
- Digital economy executives are optimistic about the future of homegrown digital businesses.

Figure 1: Category-level scores for Nigeria



The quest for an infrastructure renaissance

Nigeria’s macroeconomic environment weakened considerably over the course of the pandemic. Continued communal instability, rising inflation and mounting poverty caused

massive imbalances in the economy. However, prospects for growth are strong owing to a rapid expansion of the working-age population.¹ In addition, forecasts show that non-oil industries will continue to factor into growth, particularly in information technology services.²

¹ The World Bank in Nigeria – Overview. Available at: <https://www.worldbank.org/en/country/nigeria/overview>

² Nigeria Development Update – The Continuing Urgency of Business Unusual. Available at: <https://documents1.worldbank.org/curated/en/099740006132214750/pdf/P17782005822360a00a0850f63928a34418.pdf>

“There is a good community of African investors who have started coming back and are now ready to put money into this space, as well as international investors”.

Nikhil Goel, former CEO at Gokada

In fact, the conditions during the pandemic led to Nigeria’s ICT sector expanding by around 6.5% as people and businesses increased their online activities. In 2021, alone, financial services grew by 10.1% due to increased use of digital solutions.³ ICT remains a key driver in the non-oil industry—contributing 18.4% to real GDP at the end of Q2 2022.⁴ In 2022, the Minister of State Budget and National Planning projected that the Nigerian digital economy is set to contribute 15% to the country’s GDP by 2025.⁵

Nigeria achieved the region’s highest score within the policy and regulation pillar (93.3 out of 100 on the scorecard). Attaining top marks in the enabling initiatives category, Nigeria’s strengths lie in its e-ID system, open data policy and its universal data protection law supplemented by active sector-specific data privacy guidance. However, these scores do not account for the effectiveness of policy implementation. Lanre Osibona, founder and CEO at The Foresight Group, a corporate consulting, knowledge-sharing and venture capital alliance offering support to Africa’s digital transformation, stated the need to establish a consistent and independent body to oversee policy implementation in the digital economy.

But it is the poor performance in the categories of enabling infrastructure and internet connectivity that contribute to the nation’s lowest scores in the infrastructure

pillar (44.8 out of 100), where one of the most surprising findings shows that just 55% of the population has access to stable electricity.

Overcoming infrastructure hurdles

Despite being the largest telecommunications market in Africa,⁶ Nigeria is struggling with device affordability. Only 34% of Nigeria’s population owns a smartphone and just 9% have mobile money accounts. This is fuelled by the restrictive nature of Nigeria’s mobile money licensing framework, which permits mobile network operators to deliver financial services directly but not in alliance with third-party financial service providers. As a result, the potential impact and adoption of mobile money is greatly limited.⁷

On smartphone costs, Nigeria earns a score of 51.3 out of 100, where 100 reflects the most inclusive environment to purchase smartphone handsets, which reveals that device costs are neither wholly inclusive nor exclusive. This makes mass device adoption tricky to accomplish, especially in the context of high levels of poverty, such as in Nigeria where almost 40% of Nigerians live below the international poverty line of US\$1.90 per person per day.⁸ Mr Osibona insists that affordability is a critical issue, saying, “for the average person, the ability to afford a US\$100 phone for personal use is a challenge unless you are using it to do some kind of business”.

³ Nigeria Development Update – The Continuing Urgency of Business Unusual. Available at: <https://documents1.worldbank.org/curated/en/099740006132214750/pdf/P17782005822360a00a0850f63928a34418.pdf>

⁴ Nigerian Gross Domestic Product Report (Q2 2022). Available at: <https://nigerianstat.gov.ng/elibrary/read/1241219>

⁵ <https://techeconomy.ng/2022/07/digital-economy-will-contribute-15-to-nigerias-gdp-by-2025/>

⁶ Nigeria Telecoms Market Report Telecoms, Mobile and Broadband – Statistics and Analyses. Available at: <https://www.budde.com.au/Research/Nigeria-Telecoms-Mobile-and-Broadband-Statistics-and-Analyses>

⁷ <https://www.gsma.com/mobileforddevelopment/blog/could-payments-service-banks-psbs-offer-a-momentous-opportunity-to-transform-financial-inclusion-in-nigeria/>

⁸ https://databankfiles.worldbank.org/data/download/poverty/987B9C90-CB9F-4D93-AE8C-750588BF00QA/AM2021/Global_POVEQ_NGA.pdf

Internet infrastructure will assist in bridging the digital divide

On internet connectivity, only 41% of the population is covered by 4G. Nigeria has very low fixed-broadband subscriptions (0.03 per 100 inhabitants), international internet bandwidth (12,680 Kbit/S), and average mobile latency (49ms), which illustrate significant chokepoints in accessing quality and equitable internet. Mr Osibona argues that this is the result of digital economy infrastructure being treated as a luxury good, rather than a public good. The risks are too big to ignore, including “the huge digital divide it will end up creating, worsening the situation of an economy that we’re trying to improve”, he says.

Policy, infrastructure and mentorship can enable innovation in the SMB ecosystem

With only 18% of executives stating that their existing business models are completely ready to participate in the digital economy, there are clearly major weaknesses in SMB readiness. Survey results show that SMBs find it difficult to secure funding for digital expansion, adopt digital technologies and navigate the legal environment. Only 23% of respondents stated that their workforce is completely ready to access and benefit from the digital economy.

According to Nikhil Goel, former CEO at Gokada, a super app offering logistics and delivery solutions in Lagos, bureaucracy and a lack of mentorship slow their digital expansion. He explains how lengthy administrative procedures prevent growth, stating that “[at Gokada] there needed to be separate documents for biking, delivery and the ministry. If you end up spending so much time only on documentation, how can you spend your time on the actual business?” Change is underway. For example, the Presidential Enabling Business Environment Council (PEBEC) has been set up by the current administration to “remove bureaucratic constraints to doing business in Nigeria, and make the country a progressively easier place to start and grow a business.”⁹

But on funding and skills, there is optimism. The potential for a ‘reverse brain drain’ is likely to create an enabling environment for digital businesses. Mr Goel explains, “there is a good community of African investors who have started coming back and are now ready to put money into this space, as well as international investors”.

To meet Nigeria’s 2030 digital economy access goals, the nation must revise its governance approach, invest in infrastructure and promote enterprise through mentorship. Mr Goel explains that investment in fundamentals, such as education and infrastructure, will give digital entrepreneurs the confidence to build businesses within the digital economy. As entrepreneurs set out to innovate, Mr Goel believes that mentorship to cope with developing regulations is critical, as digital business leaders need to have “local heroes” to be inspired by and learn from. With this assistance, he believes there will be a rise in local digital businesses that can activate further economic growth.

Figure 2: Executives in Nigeria that state that their country’s data governance and privacy laws...



Source: Economist Impact executive survey, July-August 2022

⁹ <https://statehouse.gov.ng/policy/councils-committees/presidential-enabling-business-environment-council/>

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LONDON

The Adelphi
1-11 John Adam Street
London WC2N 6HT
United Kingdom
Tel: (44) 20 7830 7000
Email: london@eiu.com

GENEVA

Rue de l'Athénée 32
1206 Geneva
Switzerland
Tel: (41) 22 566 2470
Fax: (41) 22 346 93 47
Email: geneva@economist.com

SÃO PAULO

Rua Joaquim Floriano,
1052, Conjunto 81
Itaim Bibi, São Paulo,
SP, 04534-004 Brasil
Tel: +5511 3073-1186
Email: americas@economist.com

NEW YORK

900 Third Avenue
16th Floor
New York, NY 10022
United States
Tel: (1.212) 554 0600
Fax: (1.212) 586 1181/2
Email: americas@economist.com

DUBAI

Office 1301a
Aurora Tower
Dubai Media City
Dubai
Tel: (971) 4 433 4202
Fax: (971) 4 438 0224
Email: dubai@economist.com

WASHINGTON DC

1920 L street NW Suite 500
Washington DC
20002
Email: americas@economist.com

HONG KONG

1301
12 Taikoo Wan Road
Taikoo Shing
Hong Kong
Tel: (852) 2585 3888
Fax: (852) 2802 7638
Email: asia@economist.com

SINGAPORE

8 Cross Street
#23-01 Manulife Tower
Singapore
048424
Tel: (65) 6534 5177
Fax: (65) 6534 5077
Email: asia@economist.com