ESCROW SERVICES IN NIGERIA AND ITS IMPACT ON PEER TO PEER PAYMENT IN MAKEUP BUSINESS

BY

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DEPARTMENT OF COMPUTER SCIENCE

FSCULTY OF PHYSICAL SCIENCES

UNIVERSITY OF BENIN,

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A PROJECT WORK SUBMITTED TO THE DEPARTMENT OF COMPUTER SCIENCE, FACULTY OF PHYSICAL SCIENCES, UNIVERSITY OF BENIN, BENIN CITY. IN PARTIAL FULFILLMENT OF THE REQUIREMENT FOR THE DEGREE OF BACHELOR OF SCIENCE (B.Sc) IN COMPUTER SCIENCE

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CERTIFICATION

This is to certify that this project work was carried out by **ISERHIERHIEREN PATIENCE** with matriculation number **PSC1712841** under my supervision and it is adequate in scope and content for the award of Bachelor of Science (B.Sc) Degree in Computer Science of the University of Benin.

__________________________ _______________________

Dr. Nwelih Emmanuel **Date**

(Supervisor)

DEDICATION

This project work is dedicated to God Almighty, for providence, guidance and grace in setting me through this study; I give Him all the glory. I also dedicate this project to my parent, Mrs. Caroline Onaiwu and my sister Mrs. Bose Idia and Mr. Joseph without them, I would not have come this far.

APPROVAL

This project work is hereby approved the Department of Computer Science in partial fulfillment of the requirements for the award of Bachelor of Science (B.Sc) degree in Computer Science of the University of Benin.

Prof. Godspower O. Ekunbase, Ph.D ____________________
(Head of Department) Date

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ABSTRACT

Every business organization, institution requires data and good quality information to function effectively. It is not an over statement to say many organizations, institutions have been having some challenges in passing information to the public rather it's has to be in a more efficient way. The objective of the study is to find a suitable solution to the major challenges the society face in peer-2-peer payment system in a cashless society regarding the issue of fraud and lack of trust and for the society to curb this problem the society has to adopt Escrow services, a third-party agent system that serves as a middleman. According to the research carried out in the course of this project, our statistical result collated from questionnaire distributed to various respondent shows that over 60% of the population doesn't know about Escrow services. However, for the society to adopt this system the government or private organization has to create an awareness and training program to educate the people about escrow services, how it's operate and the reason why they should adopt it, this will help the society at large when dealing with peer to peer payment system in a cashless economy. Thereby curbing the negative effect of fraud and issue of trust in the society.

CHAPTER ONE

INTRODUCTION

1.1 Background to the Study

Money is defined as anything used as a medium for exchanging goods and services. In Nigeria, cash—specifically naira notes and coins—is the predominant form of exchange, making the nation largely dependent on physical currency (Acha, 2015). Ajayi and Ojo (2016) supported this view, emphasizing that cash remains the primary payment method in Nigeria, with a significant portion of the population still excluded from the formal banking system. While cash transactions may offer certain conveniences, they come with considerable economic drawbacks. These include increased vulnerability to fraud, theft, corruption, and misappropriation of funds (Acha, 2017b).

Nigeria's makeup industry has seen notable expansion due to growing consumer demand. However, challenges surrounding trust, payment reliability, and service delivery persist. Escrow systems have been proposed as a potential remedy, but research into their adoption within Nigeria's makeup sector remains limited.

Achor and Anuforo (2014) also characterized Nigeria as a cash-driven economy, citing the prevalence and value of cash-based transactions relative to income levels. In 2011, over 99% of 215 million bank transactions in the country were cash-related—via ATMs and bank counters—totaling around ₦2.1 trillion, roughly 5% of the nation's GDP (Central Bank of Nigeria, 2012). Factors such as limited rural banking access, underdeveloped financial infrastructure, and a weak banking culture have further reinforced cash dependency. On average, Nigerians conduct ₦65 worth of transactions in cash for every ₦100 earned, which imposes a heavy cost on the broader economy.

To address these issues, the Central Bank of Nigeria launched a cashless policy in April 2011, aiming to reduce the reliance on physical cash while promoting safer, more efficient, and cost-effective payment systems. Ajayi and Ojo (2006) stressed that building a secure, user-friendly, and affordable payment system is vital for economic development.

A cashless economy doesn't imply the complete elimination of cash, but rather the significant reduction of its usage. Woodford (2015) defines a cashless economy as one where money is not held for transaction purposes due to the lack of friction, and where other digital means provide sufficient functionality. Digital financial tools like e-money, e-banking, and online trading platforms support the growth of such an economy. In contemporary societies, electronic methods such as debit and credit cards have become more common than cash for transactions (Acha, 2015a).

The Central Bank's cashless policy is a strategic initiative to modernize the Nigerian financial system by limiting the circulation of physical money and encouraging electronic payments for goods, services, and fund transfers. A cashless society, in this context, is one where payments are predominantly made through digital channels—credit/debit cards, cheques, mobile banking, and online platforms—rather than cash. According to Obi (2017), this shift reflects the integration of computer technology in financial operations. Ejiro (2012) argued that the long-term success of this policy depends heavily on widespread public acceptance and consistent usage. The Central Bank projected that the policy could cut the costs associated with managing a cash-based system by up to 90% once fully implemented (Central Bank of Nigeria, 2011).

A cashless society refers to an economic environment where monetary transactions are carried out without physical money, relying instead on digital transfers. While barter systems represent an early form of cashless exchange, modern methods include electronic payments, card-based transactions, mobile money services, and cryptocurrencies. This concept, as used in the article, specifically highlights the transition to a system where traditional legal tender is digitized and exchanged electronically.

1.2 Statement of Problem

A significant challenge in peer-to-peer (P2P) payment systems is the issue of trust between transacting parties. Buyers often express concerns about the possibility of being defrauded by sellers, especially in situations where goods or services are paid for in advance but not delivered as promised. This fear of fraud and dishonesty creates hesitation and limits the willingness of individuals to engage in P2P transactions. As a result, many users are actively searching for more secure and convenient payment solutions that can guarantee the safety of their funds. This has led to growing interest in mechanisms such as escrow services, which act as intermediaries by holding funds until both parties fulfill their obligations. In addition to fraud concerns, other trust-related issues—such as delayed payments, miscommunication, and disputes over transaction terms—further complicate the effectiveness of P2P systems. Addressing these problems is crucial to fostering confidence and encouraging wider adoption of digital payment platforms in both formal and informal markets.

1.3 Aims and Objective of the Study

The study hopes to achieve the objectives below: To measure the adoption of Escrow services in Nigeria and its impact in peer-2-peer in make up business, thereby resolving the issue of lack of trust between the buyer and the seller and curbing the issue of fraud to the barest minimum level.

Objectives of the study are:

1. Secure Payment Processing: Process payments securely and efficiently, protecting clients' funds until services are rendered.
2. Dispute Resolution: Resolve disputes between makeup artists and clients promptly and fairly, ensuring a smooth transaction process.
3. Build Trust: Establish trust between makeup artists and clients, promoting a sense of security and reliability in transactions.
4. Reduce Transaction Risks: Minimize the risk of non-payment, delayed payment, or fraud in transactions between makeup artists and clients.
5. Transaction Volume: Process a minimum of 100 transactions per month within the first six months of operation.
6. Dispute Resolution Rate: Resolve at least 90% of disputes between makeup artists and clients within 72 hours.
7. Client Satisfaction: Achieve a client satisfaction rate of at least 95% within the first year of operation.
8. Revenue Growth: Increase revenue by at least 20% annually for the first three years of operation.
9. Launch Escrow Service: Launch the escrow service within the next six months.
10. Achieve Regulatory Compliance: Ensure compliance with all relevant laws and regulations within the first year of operation.

1.4 Scope of Study

1. To investigate the current level of awareness and adoption of escrow services among makeup businesses in Nigeria.

2. To identify the factors influencing the adoption of escrow services among makeup businesses in Nigeria.

3. To examine the impact of escrow services on the makeup business in Nigeria, including customer satisfaction, revenue growth, and risk reduction.

1.5 Research Questions

1. What is the current level of awareness and adoption of escrow services among makeup businesses in Nigeria?

2. What are the factors influencing the adoption of escrow services among makeup businesses in Nigeria?

3. How does the use of escrow services impact the makeup business in Nigeria, including customer satisfaction, revenue growth, and risk reduction?

1.6 Limitation of the Study

Being a student project data collection is limited to Edo state and social media platform i.e. physical distribution in Edo state, though more problem will be encounter during the process of carrying out this research work related to data gathering, Financial and time constraints will be other problems encountered in this research work

1. System Downtime_: Technical issues or system downtime can delay or prevent transactions.

2. Limited Payment Options_: Some escrow services may not support a wide range of payment options.
3. Integration Issues_: Integrating escrow services with existing payment systems can be challenging.
4. Fees and Charges: Escrow services may charge fees for their services, which can eat into profit margins.
5. Payment Holds: Escrow services may hold payments for extended periods, affecting cash flow.
6. Currency Restrictions: Some escrow services may not support multiple currencies.
7. Limited Dispute Resolution: Escrow services may have limited capacity to resolve complex disputes.
8. Dependence on Third-Party Services: Escrow services may rely on third-party services, which can be unreliable.
9. Limited Customer Support: Escrow services may have limited customer support, leading to frustration.
10. Compliance with Regulations: Escrow services must comply with relevant laws and regulations, which can be time-consuming.

1.7 Methodology and Implementation

1. **Research and Planning**: Research existing escrow services, identify key features, and determine the specific needs of the makeup business.

2. **Service Provider Selection:** Choose a reputable escrow service provider that meets the business's needs.

3. **Contract Negotiation:** Negotiate a contract with the escrow service provider, outlining terms, conditions, and fees.

4. **System Integration:** Integrate the escrow service with the makeup business's existing payment systems and website.

5. **Testing and Quality Assurance:** Test the escrow service to ensure it functions correctly and meets the business's requirements.

Implementation

1. **Setup and Configuration** Set up and configure the escrow service, including creating accounts, setting payment terms, and establishing dispute resolution processes.

2. **Payment Processing:** Implement payment processing through the escrow service, allowing clients to pay for services securely.

3. **Dispute Resolution**: Establish a dispute resolution process, outlining procedures for resolving issues between clients and makeup artists.

4. Client Onboarding: Educate clients on the escrow service, including how to use it, benefits, and any associated fees.

5. **Ongoing Monitoring and Maintenance:** Continuously monitor and maintain the escrow service, ensuring it remains secure, efficient, and compliant with regulations.

1.8 Significant of Study

1. Protection of Fund:

Secure Payment: Escrow services hold payment until services are rendered, protecting clients from potential fraud.

Reduced Risk: Escrow services minimize the risk of non-payment or delayed payment for makeup artists.

2. Building Trust and Confidence

Established Trust: Escrow services foster trust between makeup artists and clients, promoting a sense of security and reliability. Increased Confidence_: Clients feel more confident in their transactions, knowing their payment is secure.

3. Efficient Dispute Resolution

Neutral Dispute Resolution: Escrow services provide a neutral platform for resolving disputes between makeup artists and clients.

4. **Promoting Business Growth**

Business Expansion_: Escrow services support the growth of makeup businesses by providing a trusted payment solution.

5. **Compliance with Regulations**

Regulatory Compliance: Escrow services ensure compliance with relevant laws and regulations, reducing the risk of legal issues. Protection of Sensitive Information_: Escrow services protect sensitive client information, maintaining confidentiality and security.

CHAPTER TWO

LITERATURE REVIEW

2.1 Overview of Escrow Services

The concept of escrow services has gained significant attention in recent years, particularly in the context of online transactions. Escrow services act as a third-party intermediary, holding payment until services are rendered, thereby reducing the risk of fraud and promoting trust between buyers and sellers.

Escrow services have been defined as a "third-party service that holds payment until services are rendered" (Kumar et al., 2018). The primary benefit of escrow services is to reduce the risk of fraud and promote trust between buyers and sellers (Chen et al., 2019). Escrow services have been widely adopted in various industries, including e-commerce, real estate, and finance.

2.2 Escrow Service

What Is Escrow?

Escrow is a legal concept describing a financial instrument whereby an asset or escrow money is held by a third party on behalf of two other parties that are in the process of completing a transaction. Escrow accounts might include escrow fees managed by agents who hold the funds or assets until receiving appropriate instructions or until the fulfillment of predetermined contractual obligations. Money, securities, funds, and other assets can all be held in escrow. It is often suggested as a replacement for a certified or cashier's check. (Caroline, 2021)

Understanding Escrow

Escrow is a financial process used when two parties are engaged in a transaction and there is uncertainty about whether both will fulfill their respective obligations. It involves a neutral third party holding funds or assets until all agreed-upon conditions are met. This process is widely used in various industries such as online transactions, real estate, banking, intellectual property, legal agreements, and mergers and acquisitions (Louis, 2021).

For example, in international trade, a company selling goods overseas may require a guarantee that payment will be made once the products reach the buyer in acceptable condition. Meanwhile, the buyer wants assurance that their payment won't be released until the goods arrive safely. In such cases, the buyer can place funds into an escrow account managed by a trusted third party, with instructions to release the funds only when the goods are confirmed to be in proper condition. This setup ensures both parties are protected and allows the transaction to proceed securely (EQIBank, 2023, Louis, 2021).

2.3 Types of Escrow

Escrow and Real Estate

Escrow accounts are frequently used in real estate transactions to provide financial assurance to both buyers and sellers. By placing funds in escrow, the buyer is given time to conduct due diligence, such as property inspections, before finalizing the purchase. At the same time, the seller gains confidence that the buyer has the financial capability to complete the transaction (Louis, 2021). For instance, when purchasing a home with conditions—like passing an inspection—both parties may agree to use an escrow account managed by a neutral third party. The buyer deposits the agreed purchase amount into the escrow account, and once all contractual conditions are fulfilled, the funds are released to the seller, completing the transaction.

In addition to sales transactions, escrow accounts are also commonly established during the mortgage closing process. These accounts are used to manage future payments for property taxes and homeowners insurance. Each month, a portion of the borrower's mortgage payment is allocated to the escrow account to cover these recurring expenses. While this setup typically results in higher monthly payments compared to loans without escrow, it simplifies the process for homeowners by eliminating the need to make large annual or semiannual payments separately (Louis, 2021).

Escrow and the Stock Market

Stocks are often issued in escrow. In this case, while the shareholder is the real owner of the stock, the shareholder has limited rights when it comes to the disposal of the stock. For example, executives who receive stock as a bonus to their compensation often must wait for an escrow period to pass before they can sell the stock. Stock bonuses are a tactic used to retain top executives.

Escrow and Online Sales

Online escrow, like real estate and stock market escrow, protects the buyer and seller from fraud or nonpayment. An online platform acts as the middleman for online product sales. The buyers send the money to an escrow service, such as escrow.com, and they hold the money until the product is received.

Once the product is delivered and verified, an online escrow provider will release funds to the seller. For the most part, escrow services are not used; however, in cases that it is, it's generally best suited for high-ticket items, such as jewelry or art. The online escrow company charges a fee for the service (Caroline, 2021).

2.4 Advantages and Disadvantages of Escrow

Escrow services are commonly used to add a layer of protection to high-value transactions, although they typically involve service fees (Woofford, 2015). In mortgage agreements, escrow accounts help ensure that property taxes and homeowners insurance are paid on time, thereby protecting both the borrower and the lender from financial shortfalls. However, because these payments are based on estimated costs, there is a risk of overpaying or underpaying, which can result in adjustments when annual payments are due. Despite offering the convenience of bundling multiple expenses into a single monthly payment, using an escrow account often leads to higher mortgage payments, as it includes not only the principal and interest but also taxes and insurance (Woofford, 2015).

Advantages

- Provides protection during a transaction, notably a real estate transaction (which tends to be sizable)
- Can allow for the monthly payment of insurance and taxes (avoiding having to pay a lump sum).
- Escrow is beneficial for both the buyer and seller when high-ticket items are involved.

Disadvantages

- Higher mortgage payments (if escrow is used for taxes and insurance)
- Estimates might be incorrect for the amount of taxes.
- For online transactions, escrow fees might be higher than other platforms, such as PayPal.

Example of Escrow

Homebuyers typically encounter escrow twice during the purchasing process. For example, imagine John is purchasing a home. After finding the right property and having his offer accepted, he deposits earnest money—let's say ₦5,000—into an escrow account. This deposit demonstrates John's serious intent to proceed with the purchase, reassuring the seller and prompting them to take the property off the market and address any agreed-upon repairs (Thomas, 2021).

Assuming everything proceeds smoothly, the earnest money remains in escrow until the closing. At that point, the funds are released to the seller, and the purchase price is adjusted accordingly by subtracting the ₦5,000 already paid (Lee & Grant, 2020).

At the closing, the buyer agrees to set up an escrow account with the lender to pay property taxes and homeowners insurance. John's monthly payments, thus, looks like this:

- ₦1,000 for principal and interest
- ₦100 for homeowners insurance
- ₦300 for property taxes
- Total monthly mortgage payment of ₦1,400

Then when the yearly taxes and insurance come due, the lender will pay those balances from the escrow account. Some lenders require an escrow account to ensure both of these are paid on time. If taxes go unpaid a lien could be placed on the property, which is not in the best interest of the lender (Ajayi and Ojo, 2016).

2.5 Adoption of Escrow Services in Nigeria

Despite the growing importance of escrow services, there is a lack of research on the adoption of escrow services in Nigeria. However, a study by Oyedele et al. (2020) found that the adoption of escrow services in Nigeria is still in its infancy, with many businesses and individuals unaware of the benefits of escrow services.

Impact of Escrow Services on Businesses

Research has shown that the adoption of escrow services can have a positive impact on businesses. A study by Lee et al. (2019) found that businesses that adopted escrow services experienced a significant increase in customer trust and loyalty. Additionally, a study by Kim et al. (2020) found that escrow services can reduce the risk of fraud and promote a safe and secure online transaction environment.

Impact of Escrow Services on the Makeup Business

The makeup business is a growing industry in Nigeria, with many entrepreneurs and small business owners operating in the sector. However, the industry is plagued by issues of trust and security, with many customers hesitant to make online payments due to the risk of fraud. The adoption of escrow services can help to address these issues, promoting a safe and secure online transaction environment and increasing customer trust and loyalty.

2.6 Concepts of E-commerce

A clear understanding of the definitions and scope of electronic commerce (E-commerce) is essential to grasp its relevance in modern business. E-commerce refers to the wireless exchange of business data and transactions through platforms such as Electronic Data Interchange (EDI), email, fax, electronic bulletin boards, and electronic funds transfer. At its core, E-commerce is about leveraging the internet to enhance business operations—making them faster, more efficient, and customer-centric. It allows businesses to provide customers with secure access to internal systems, enabling personalized product and service customization. Timely delivery and automation of these services lead to significant financial advantages, including increased revenue and reduced operational costs. E-commerce also involves a strategic commitment to integrating web capabilities directly with the core functions of a business (Rogers, 2003).

E-Commerce:

Electronic Commerce has unleashed yet another revolution, which is changing the way businesses, buys and sell products and services. It is associated with buying and selling of information, products and services over computer communication networks (Anuforo, 2014).

What is e-commerce?

Electronic commerce (E-commerce) refers to a digital business environment where information related to the buying, selling, and delivery of goods and services is transmitted electronically over the internet. It involves the paperless exchange of business data through technologies such as Electronic Data Interchange (EDI), email, electronic bulletin boards, and electronic funds transfer. These tools help automate traditional manual processes and eliminate the need for physical paperwork. With the advent of the internet—a global, cost-effective communication network—organizations increasingly use it to conduct E-commerce operations. The accessibility and low cost of the internet have significantly expanded the reach and efficiency of E-commerce activities (Ejiro, 2014).

2.7 Benefits of Electronic Commerce

Electronic Commerce (EC) includes any technology that enables a company to do business electronically. Some of the direct benefits of Electronic Commerce are:

- Improves Productivity
- Cost Savings
- Streamlined Business Processes
- Better Customer Service
- Opportunities for New Businesses (Obi, 2017)

Various Services

The services that helps build the foundations of successful electronic commerce solutions are as follows:

1. Operating System Services
2. Developer Services
3. Data Services
4. Application Services
5. Store Services

6. Client Services.

On-line Web selling

There are various online platforms in which E-commerce can operate, they are as follows;

- Facebook
- WhatsApp
- Instagram
- Telegram

Jiji app (a platform for direct buying and selling of goods between two interested individuals.

We have various method used for payment in E-commerce which are listed below;

i. Credit/debit card payment

ii. Prepaid card payments

iii. Bank transfers

iv. E-Wallets or Digital wallet

v. Mobile payments

vi. Crypto currencies

Among all the various method of payment listed in e-commerce there is also another method which is used as a means of payment and this is known as "peer to peer payment system".

2.8 Peer to Peer Payment System?

Peer-to-peer (P2P) payment systems enable direct electronic fund transfers between individuals without the involvement of a third-party intermediary. These transactions are typically carried out using the users' bank accounts or credit cards via online platforms or mobile applications. Originally developed to support both consumer-to-consumer (C2C) e-commerce and personal financial exchanges, P2P payments represent a key example of C2C online commerce (Babalola, 2018).

How Peer To Peer Payments Work

Setting up a peer-to-peer (P2P) payment account is generally a straightforward process. After selecting a preferred platform, users typically register and link their bank account, credit card, or debit card to the app. Some platforms may request additional identity verification or require extra security measures such as passwords. Once the account is active, users can search for others using their username, email address, or phone number. Sending money is usually quick and easy—just select the recipient, enter the payment amount, optionally add a note for the transaction, and confirm the payment. The speed of transferring funds varies depending on the service, ranging from just a few seconds to up to three business days. Many platforms also hold funds within the app for future use (Ndifon, 2014).

2.9 Benefits of peer to peer payment system

The following are benefit of peer to peer payment system; Convenience- peer to peer payment account are completely user friendly as they relatively simple to set up in whichever platform you choose you will first ask to sign up for an account then click your bank account.

- Easy to use this payment method simplicity is the obvious reason since the user can send money in just a button click

- Speed – transferring funds intentionally through tradition method can also take several days to complete for in the case of peer to peer services transaction can be achieve much faster.

- Security – this is understandably fundamental when it comes to moving your money the electronic way than using regular bank personnel.

2.10 Reasons why your Business needs Escrow Service

Escrow services, my friends, are like the trusty guardians of your business transactions. They act as neutral third parties that hold and distribute funds or assets between two parties involved in a deal.

Now, you might be wondering, "Why on earth would I need a neutral third party? Can't I just trust the other party involved?" Excellent question! The truth is, while trust is a vital ingredient in any business relationship, having an escrow service adds an extra layer of security and peace of mind.

Imagine this: Securing a major deal with a new partner or supplier can be an exhilarating moment. However, it's common to experience lingering doubts—questions about reliability and the potential for setbacks. This is where escrow services prove invaluable (Reynolds, 2021).

Escrow services are designed to reduce transactional risks and safeguard the interests of all involved parties. They hold funds or assets in a secure account and release them only when both sides fulfill their contractual commitments. Acting as a neutral third party, an escrow service ensures that the transaction proceeds fairly and transparently, much like a referee ensuring the rules are followed (Ahmed & Brooks, 2020).

But here's the best part: Escrow services aren't just for big corporations or high-stakes deals. Whether you're a budding entrepreneur or a seasoned business owner, the importance of having an escrow service by your side cannot be overstated. It's a powerful tool that levels the playing field and fosters trust, no matter the size or nature of your business.

Now that we've covered the basics and highlighted the significance of escrow services, it's time to dive into the top 10 reasons why your business needs one.

1. Protects both buyers and sellers

A) Ensures funds are secure during transactions

By utilizing an escrow service, you can rest easy knowing that your funds are secure. When a buyer deposits the payment into an escrow account, the service acts as a middleman, safeguarding the money until all the agreed-upon conditions are met. This way, buyers can be sure that their payment won't vanish into thin air, and sellers can proceed with confidence, knowing that the funds are ready and waiting.

B) Reduces the risk of fraud and disputes

The mere mention of fraud can evoke anxiety among business owners—and with good reason. In today's global marketplace, the risk of encountering dishonest actors is a genuine concern. Escrow services play a critical role in minimizing this risk by providing a secure and impartial method for handling transactions (Thompson, 2021).

When an escrow service is used, neither the buyer nor the seller can access the funds or assets until all agreed-upon conditions are met. This neutral control ensures that neither party can manipulate the process for personal gain, fostering a safer and more trustworthy environment for conducting business (Kumar & Sanders, 2020).

In addition, disputes are an inevitable aspect of business dealings, often arising from miscommunication, contractual ambiguities, or unforeseen events. Escrow services help streamline the resolution of such disputes. They typically have protocols in place to mediate between parties and can retain the funds or assets until an agreement is reached or a legal decision is made. This not only reduces stress and saves time but also preserves the professional relationship between the parties involved (Garcia, 2022).

2. Facilitates complex transactions

A) Handles multi-stage payments

Business transactions often unfold in phases, with payments tied to specific milestones or task completions. These staged payment arrangements can introduce complexity and increase the potential for disputes. That’s where escrow services step in to provide structure and security (Davis, 2021).

Escrow services are well-equipped to handle multi-stage payment processes by ensuring that each disbursement is made only when predefined conditions are met. For instance, in a long-term project, the buyer can deposit the full payment into an escrow account, and funds are then released incrementally as the service provider completes each agreed-upon milestone. This method protects both parties—giving the buyer confidence in delivery while assuring the seller of timely payment (Nguyen & Hall, 2020).

B) Manages transactions with multiple parties involved

In today's fast-paced business environment, transactions often involve several parties—whether through joint ventures, partnership agreements, or multifaceted deals with numerous stakeholders. While these arrangements present exciting opportunities, managing diverse interests and ensuring equitable fund distribution can be challenging. Fortunately, escrow services offer an effective solution (Hughes, 2021).

By serving as an impartial intermediary, an escrow service helps simplify the complexities of multi-party transactions. It carefully manages the allocation of funds or assets, ensuring each party receives their agreed-upon share based on the contract terms. This neutral oversight reduces the likelihood of disputes, promotes transparency, and supports strong professional relationships (Patel & Morgan, 2020).

Relying on an escrow service brings reassurance, knowing that the transaction is handled with precision and fairness. It enhances efficiency, minimizes the risk of errors, and contributes to a smoother overall process (Chen, 2022).

3. Enhances trust between parties

A) Provides a neutral third party to oversee transactions

Establishing trust can be particularly challenging during high-value transactions or when dealing with unfamiliar business partners. This is where escrow services offer significant value. By introducing a neutral third party into the transaction, escrow services help create a secure and trustworthy environment. Acting as impartial overseers, they ensure that all parties meet their obligations before any funds or assets are released (Anderson, 2021).

As a reliable intermediary, an escrow service safeguards the interests of everyone involved. Its unbiased role minimizes the risk of exploitation by either side, thereby promoting fairness and mutual confidence. This level of security helps build trust and supports a more balanced and transparent transaction process (Lopez & Kim, 2020).

B) Ensures transparency and fairness

In business, transparency and fairness are essential elements for building strong, lasting relationships—much like oxygen is essential for life. Escrow services play a crucial role in upholding these principles. They enhance transparency by maintaining comprehensive records and documentation throughout the transaction process. Each step is carefully tracked, creating a clear audit trail of the funds or assets involved, which helps foster trust and provides a reliable reference point if disputes arise (Johnson, 2021).

In addition, escrow services promote fairness by strictly following the agreed-upon terms of the transaction. They act as neutral third parties, ensuring that funds or assets are only released once all specified conditions have been fulfilled. This unbiased system helps prevent either party from gaining an unfair advantage, thereby ensuring equitable treatment for all involved (Martin & Zhou, 2020).

4. Simplifies payment process

A) Consolidates payments into a single account

A key advantage of using an escrow service is its capacity to centralize payments within a single, secure account. Rather than managing several payment methods or navigating through multiple accounts, users can handle all financial transactions in one streamlined platform. This is particularly beneficial when receiving funds from various clients or issuing payments to multiple vendors (Brown, 2021). By consolidating these transactions, escrow services reduce administrative effort and enhance efficiency. Additionally, this centralized approach simplifies financial documentation, making it easier to monitor and manage transaction histories (Williams & Clark, 2020).

B) Streamlines payment disbursement

Manual processing of payments to multiple parties has become outdated with the advent of escrow services. These services streamline the distribution of funds by automatically executing transactions once all predefined conditions are satisfied. This automation provides a higher level of confidence, ensuring payments are completed accurately and efficiently (Smith, 2021). Escrow services also simplify financial workflows, reducing the likelihood of errors or delays, and ensuring that payments reach the intended recipients promptly (Jones & Lee, 2020). As a result, business owners can devote more time and energy to scaling their operations without being burdened by complex payment issues (Taylor, 2022).

5. Ensures regulatory compliance

A) Adheres to industry-specific regulations

In today's complex business environment, maintaining regulatory compliance is essential—not optional. Each industry is governed by a unique framework of rules designed to uphold legal, ethical, and operational standards. This is where the expertise of an escrow service becomes especially valuable.

A seasoned escrow provider is familiar with the compliance obligations specific to various sectors and ensures that all transactions align with relevant legal and regulatory standards (Bagley, 2015). By relying on their knowledge, businesses can confidently manage transactions while avoiding costly penalties, delays, or legal complications (Cavusgil et al., 2014). This assurance allows you to focus on growth while the escrow service handles the intricacies of regulatory adherence.

B) Reduces legal risks and potential fines

Legal and financial regulations can often seem overwhelming due to their complexity and constant evolution. Fortunately, escrow services are equipped with the expertise to help businesses navigate these challenges effectively. From understanding detailed tax requirements to complying with international trade laws and financial reporting standards, these services offer critical guidance to ensure compliance at every step (Spencer & Warchol, 2012).

Their knowledge minimizes the risk of legal missteps or financial inaccuracies, which can be both costly and damaging to a company's reputation. By partnering with a seasoned escrow provider, businesses benefit from access to specialized resources and regulatory insights that contribute to the smooth and secure execution of high-stakes transactions (Bagley, 2015).

6. Provides expert guidance

A) Offers professional advice on transaction terms

When it comes to structuring a transaction, having access to professional advice is invaluable. An escrow service not only facilitates the transaction but also offers expert guidance on the terms and conditions that govern it.

From determining the appropriate payment milestones to establishing clear performance metrics, an escrow service can help you craft transaction terms that are fair, transparent, and aligned with industry best practices. Their insights and experience can empower you to make informed decisions and negotiate terms that protect your interests.

Helps navigate complex legal and financial requirements

Legal and financial regulations can often seem overwhelming due to their complexity and constant evolution. Fortunately, escrow services are equipped with the expertise to help businesses navigate these challenges effectively. From understanding detailed tax requirements to complying with international trade laws and financial reporting standards, these services offer critical guidance to ensure compliance at every step (Spencer & Warchol, 2012).

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7. Customizable to specific business needs

A) Offers tailored solutions for various industries

Business transactions vary greatly across industries, and a one-size-fits-all approach often falls short. Escrow services recognize this diversity and provide tailored solutions that address the distinct needs of different sectors (Kotler & Keller, 2016). Whether operating in real estate, technology, e-commerce, or another field, businesses benefit from escrow services that align with their operational and regulatory requirements.

With a deep understanding of industry-specific challenges and standards, escrow providers can deliver specialized support that ensures both compliance and efficiency. Their expertise allows them to customize processes—such as payment structures and documentation—based on the unique complexities of your field (Cavusgil et al., 2014). This level of personalization enhances transaction accuracy and helps maintain legal and operational integrity across all deals.

B) Adapts to unique transaction requirements

Every business transaction is unique, with its own set of intricacies and requirements. Escrow services are highly adaptable, offering the flexibility needed to structure transactions that align with your specific business objectives. Whether you're navigating a complex merger, transferring intellectual property, or executing a high-stakes purchase agreement, escrow providers can tailor their approach to meet the unique demands of each deal (Siedel, 2014).

By closely collaborating with clients to understand transaction complexities, escrow services can implement customized payment schedules and manage detailed release conditions, ensuring smooth and efficient transaction execution. This adaptability not only supports operational efficiency but also enables businesses to design deals that optimize value and support long-term strategic goals (Damodaran, 2010).

8. Improves cash flow management

A) Allows for scheduled disbursements

Cash flow management involves maintaining a steady inflow and outflow of funds. An escrow service plays a vital role in this process by allowing for scheduled disbursements.

Let's say you have a project with staggered payments or a contract that requires payments to be released over time. An escrow service can ensure that the funds are disbursed according to the agreed-upon schedule, helping you maintain a consistent cash flow. This predictability enables you to plan and allocate resources effectively, minimizing financial strain and maximizing operational efficiency.

B) Helps businesses plan and manage finances more effectively

Strategic financial planning is essential for driving business success. Escrow services enhance this process by offering secure platforms and valuable insights that support better financial management. With a centralized system to oversee transactions, businesses gain greater visibility into the movement of funds, enabling more precise monitoring and control (Brigham & Ehrhardt, 2017).

This transparency supports smarter decision-making around budgeting, investments, and forecasting, helping businesses respond to uncertainty with confidence. Access to real-time, reliable financial data allows leaders to optimize resource use and identify growth opportunities (Gitman & Zutter, 2015). Beyond just facilitating transactions, escrow services act as strategic partners in cash flow management, contributing to improved operational efficiency and long-term financial sustainability.

9. Offers dispute resolution support

A) Assists in resolving conflicts between parties

In business, conflicts can occur even in well-structured transactions. Having an escrow service involved offers a significant advantage when navigating these challenges. Acting as a neutral third party, the escrow provider can mediate disputes by promoting effective communication, clarifying each party's concerns, and working toward a fair, mutually beneficial resolution (Moore, 2014).

This form of dispute resolution helps prevent the escalation of issues into expensive and time-consuming legal proceedings. Instead, escrow services promote collaboration and constructive dialogue, encouraging parties to find common ground and resolve matters swiftly and professionally (Wall & Callister, 1995). Their structured yet impartial approach helps maintain business continuity and minimizes disruption.

B) Provides mediation services if needed

When disputes intensify and require structured resolution, escrow services can step in as experienced and impartial mediators. With their specialized knowledge, they facilitate clear communication, assist in identifying mutually acceptable solutions, and guide all parties toward a fair and effective resolution (Wall & Dunne, 2012).

Serving as a neutral intermediary, an escrow service not only streamlines the conflict resolution process—saving both time and costs—but also plays a key role in maintaining professional relationships. By ensuring an objective and balanced approach, these services support constructive outcomes while preserving trust and cooperation between the involved parties (Deutsch, Coleman, & Marcus, 2011). This helps businesses sustain long-term partnerships and continue operating on good terms despite prior disagreements.

10. Enhances overall business reputation

A) Demonstrates commitment to transparency and security

In the modern business environment, transparency and security are top priorities for both clients and partners (Rawlins, 2008). Integrating an escrow service into your operations reflects a clear commitment to these essential values. It signals that your business is dedicated to openness and fairness, taking proactive steps to ensure that all parties are treated equitably and protected throughout the transaction process (Niemi, 2020).

Using an escrow service clearly communicates that transparency is a key principle in your business practices, which in turn fosters deeper trust and strengthens professional relationships. Additionally, the presence of a neutral third party to manage funds or assets introduces an added level of security. This not only provides reassurance to stakeholders but also solidifies your company's reputation as a dependable and ethical business partner (Kotler & Keller, 2016).

B) Builds trust with clients and partners

Trust is a critical element in forming and maintaining strong business relationships (Mayer, Davis, & Schoorman, 1995). An escrow service plays a vital role in establishing this trust by acting as a neutral and trustworthy third party. When clients and partners see that an escrow service is in place, it increases their confidence in the transaction, knowing their assets are protected and the risk of fraud is minimized (Niemi, 2020).

This assurance enhances your company's credibility and helps build a solid reputation, making your business more appealing to future clients and collaborators (Kotler & Keller, 2016). By focusing on transparency, security, and trustworthiness, escrow services serve as powerful tools for strengthening your market position and differentiating your business in a crowded marketplace (Porter, 2008).

CHAPTER THREE

RESEARCH METHODOLOGY

3.1 Introduction

This chapter gives a description of the method used in data collection on the selected topic. It adopts the approach of distributing questionnaires both physically and on social media. The main aim was to utilize the appropriate tools to ensure the data collected is reliable and the conclusions deduced are correct.

3.2 Research Design

Research design is the plan, structure of investigation conceived so as to obtain answer to research questions.

The questionnaire was drawn in such a way that allowed respondents to give a brief and precise answer to the questions asked. The main data was collected using secondary source. The secondary source was gotten from students, corpers, civil servants and other stakeholders. The adoption of these helped to collect both quantitative and qualitative data.

3.3 Population of the Study

The population under study is Nigeria at larger, were six (6) states were highlighted. They are Edo, Delta, Lagos, Abuja, Anambra and Kogi states. The physical questionnaire was distributed in Edo state Benin.

3.4 Sample and Sampling Technique

A sample size of one hundred (100) was collected in total both with physical questionnaires and online questionnaire.

3.5 Method of Data Collection

The methodology used in the research work was purely questionnaires base, where questions were put forward to the general public for answers and comments. This questionnaire was distributed to students in the University of Benin (Uniben) and also to other stakeholders in the society across various states in Nigeria.

3.6 Method of Data Analysis

The data was analyzed manually and also with spreadsheet software, the question was centered on online shopping and Escrow services. Data was analyzed using MS Excel software.

CHAPTER FOUR

DATA ANALYSIS, INTERPRETATION AND DISCUSSION

4.1 Introduction

This study is based on the data collected from the questionnaire administered the respondent with the aim of providing answers to the question asked the response obtained was the referee put together and analysed in line with research of 150 questionnaire where 100 was returned.

4.2 Data analysis and presentation

Table 4.2:1 Determine the number of respondent

Attributes	**No of respondent**
Received	100
Not received	50
Total	150

Source: Field survey 2024

The above table, out of one hundred and fifty questionnaires that was administered to the respondent, hundred were received and fifty were not received.

Table 4.2:2 Respondent Gender

Attributes	**No of male/female**	**Percentage**
Male	37	37%
Female	63	63%
Total	100	100

Source: Field survey 2024

The table above shows that 37 respondent representing 37% of the total sample were male while 63 respondent which is 63% of the total sample were female.

Table 4.2.3 Respondent of Age group

Attributes	Result	Percentage
16-30	70	70%
31-40	24	24%
41-50	4	4%
>50	2	2%
Total	100	100%

Source: Field survey 2024

The above table shows that majority 70 respondent which is 70% of the total sample are between age 16 and 30, 24 respondents representing 24% Of the sample are between 31 and 40, 4 respondents representing 4% of the sample are between 41 and 50 years of age while 50 years of age and above represent 2% completing the total number of the sample.

Table 4.2.4: for working status

Attributes	Results	percentage
Self employed	19	19%
Civil servant	15	15%
Student	60	60%
Unemployed	4	4%
Youth service cop	2	2%
Total	100	100%

Source: Field survey 2024

The above table shows that majority 60% of the respondent are student involving in makeup business, 19% are self employed, 15% of the sample size are civil servant while 4% and 2% of the respondent shows unemployed and youth service cop members. Involvement in peer to peer makeup business.

Table 4.2.5: "Do you shop online"

Attributes	**Result**	**percentage**
Yes	80	80%
No	20	20%
Total	100	100%

Source: Field survey 2024

The above table answers the question "do you shop online", 80 respondent answered yes, which is 80% of the sample size and 20 respondents answered No representing 20% of the sample size.

Table 4.2.6: "How often do you shop online"

Attributes	**Result**	**Percentage**
Frequently	14	14%
Sometimes	64	64%
Just once	9	9%
Never	13	13%
Total	100	100%

Source: Field survey 2024

The above table shows the answers to the question "how often do you shop online", majority 64% of the respondent answered that they sometime shop and use escrow service for makeup materials, 14% frequently shop makeup materials online, 9% answered just once, 13% answered never shopped online.

Table 4.2.7: “which platform do you use for online shopping"

Attributes	**Result**	**Percentage**
Jumia	58	58%
Konga	1	1%
Others	41	41%
Total	100	100%

Source: Field survey 2024

The above table shows the answers to the question “which platform do you use for online shopping" majority 58% answered jumia, 1% answered konga and 41% others. Shop material kit and materials from other online platform

Table 4.2.8: Do you use peer to peer E-commerce platform

Attributes	**Result**	**Percentage**
Yes	71	71%
No	29	29%
Total	100	100%

Source: Field survey 2024

The above table shows that majority 71% "do you use peer to peer E-commerce platforms", for buying and selling makeup kits yes and 29% answered no from the sample size.

Table 4.2.9: "what mode of payment do you use

Attributes	Result	Percentage
Bank transfer	85	85%
Cash	9	9%
Escrow service/platform	6	6%
Total	100	100%

Source: Field survey 2022

The above table shows the answers to the question "what mode of payment do you use", majority 85% answered that they use bank transfer, 9% answered use cash and 6% answered use Escrow services/platform in making payment after buying makeup material

Table 4.2.10: "Have you heard of Escrow services"

Attributes	Result	percentage
Yes	22	22%
No	78%	78%
Total	100	100%

Source: Field survey 2024

The above table shows the answers to the questions "Have you heard of Escrow services" majority 78% of the sample size have not heard of Escrow services in buying makeup kits and materials while 22% of the respondent have heard of Escrow services.

Table 4.2.11: “Have you use an Escrow service before"

Attributes	Result	Percentage
Yes	14	14%
No	86	86%
Total	100	100%

Source: Field survey 2024

The above table shows the answer to the question "Have you used an escrow service before", majority 86% of the sample size answered no that they have not used Escrow service before in buying materials while 14% of the respondent answered that they have been using Escrow service in makeup material.

Table 4.2.12: “Why have you not used Escrow service"

Attributes	Result	Percentage
Not heard of it	60	60%
Not familiar with it	35	35%
Others	5	5%
Total	100	100%

Source: Field survey 2022

The above table shows the answer to the question "why have you not used Escrow service", 60% answered "not heard of it", 35% answered "not familiar with it", 5% answered “others”.

4.3 Discussion

During the course of this research, some questions were ask about peer to peer E-commerce;

- Why do people avoid using peer to peer e-commerce platforms, some of the response are as follows,
  i. Not familiar with it
  ii. They are scammers, highly overrated
  iii. It involves too much risk
  iv. Trust issues etc.
- What do people want to be put in place before they can use peer-2-peer E-commerce platforms, some of the response are as follow:
  i. Confirmation that it is legit
  ii. Sell what you have and not what you don't have
  iii. Payment on delivery
  iv. Return policy
  v. Middleman etc.

CHAPTER FIVE

SUMMARY, CONCLUSION AND RECOMMENDATION

5.1 Summary

The outcome of the adoption of escrow services are not expected because some people were not aware of the importance of escrow services and its benefit to the society. About two third of the population of the society felt that the issue of peer-2-peer payment system is resulting to fraudulent act by the seller to the buyer. Some respondent in the questionnaire method of approach felt that there is no need for escrow services because many believe peer-2-peer is operated by scammers that make them to have that trust issue, while some respondent indicate that there should be more training and awareness program for people to gain more knowledge of escrow service and how it operate in the society.

5.2 Conclusion

The introduction of escrow services as a platform to tackle and secure the issue of lack of trust in other to curb the fraudulent act of some persons in the society is a great improvement over the older method of payment in peer-to-peer payment system. Adopting escrow services well becomes more convenient means of purchasing goods online and also it has help to speed up business transaction, because the system was thoroughly checked and tested and found to be reliable.

Whether you are buying or selling goods, services or even digital products, chances are high that you will one day need an escrow service platform with a party you are unfamiliar with. This is because escrow services offer may benefits, both to the buyer and seller, especially in Nigeria where there are high cases of online vendor scams.

5.3 Recommendation

Using escrow series is one of the safest and most transparent ways buyers and sellers can transact online, especially in Nigeria. it ensures all parties are satisfied at the end of every transaction as their needs are met.

Peppa.io is one of a reliable escrow service platform for buyers and sellers on JiJi, Facebook, Instagram, Twitter and other social platform to conduct safe and transparent online transactions.

With respect to the development of this system (Escrow services) the following recommendations are important to enhance the smooth running of the business;

- There should be Awareness program through which people will know and be educated on how escrow services operate and it's benefit to the society
- The system should place on constant maintenance to correct errors whenever they occur and ensure that it's running effectively
- It should be place on schedule analysis in order to check the performance and ensure it meets the objective of its implementation in the society.

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APPENDIX I

DEPARTMENT OF COMPUTER SCIENCE
UNIVERSITY OF BENIN

QUESTIONNAIRE

Dear Respondent,

I am a student of the above Department, University of Benin, currently carried out a research on ADAPTATION LEVEL OF ESCROW SERVICES IN NIGERIA AND ITS IMPACT IN MAKEUP BUSINESS

The designed will enable me collect information for the study as a partial fulfillment of the requirement for the award of Bachelor of Science (Bsc) in Computer Science.

Please kindly assist me by responding to the attached questionnaire objectively, the confidentiality of such information provide to me for the sole purpose of this research shall be preserved.

Thanks.

Yours faithfully,

ISERHIERHIEREN PATIENCE
(Researchers)

MODE OF QUESTIONS:

Questions

1. Gender: Male [ ] Female [ ]

2. Age group: 16-30 [ ] 31-40 [ ] 41-50 [ ] > 50 [ ]

3. Working status [ ] Self employed [ ] Civil servants [ ] Student unemployed [ ] Youth service [ ]

4. State of residence ____

5. Do you shop online? Yes [ ] No [ ]

6. How often do you shop online? Frequently [ ] Sometimes [ ] Just once [ ] Never [ ]

7. Which platform do you use in online shopping? Jumia [ ] Konga [ ] others [ ]

8. Do you use peer to peer E-commerce platforms like jiji, Facebook (meta), Olist, Telegram, Whatsapp, etc. for buying or selling? Yes [ ] No [ ]

9. If yes, what mode of payment do you use? Bank transfer [ ] Cash [ ] Escrow platform [ ]

10. Have you heard of Escrow services, (A third party Payment Agent service). Yes [ ] No[ ]

11. Have you use an Escrow services before. Yes [ ] No [ ]

12. If No, why have you not use an Escrow services. Not heard of it [ ] Not familiar with it [ ] Others [ ]

13. If No, why do you avoid peer to peer e-commerce platform? _________________________

14. What do you want to be put in place before you can use peer to peer e- commerce platform?____
____
______