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FORWARD

It is with great joy that the maiden issue of Al-Hikmah Management Review, Volume 1, Number 1, has now been published.

When the idea of floating a journal in the name of the Department of Business Administration of this great University came to mind like a flashlight, it seemed an impossible mission. The reasons for this being:

(1) The fear of how other Departments within the College of Management Sciences and other colleges would react to the idea;

(2) Whether the Vice-Chancellor would give his approval to the Department;

(3) Whether the journal would be able to attract articles from academics in other Universities within the country and beyond;

(4) Above all, whether there would be enough funds to publish the journal regularly.

Today, not only was the Department able to overcome the first fear listed above, the other highlighted fears are unfounded. We have indeed set the pace for others to follow thus making a history in our vocation by this singular event. We are glad that the maiden edition has attracted articles from academic staff in different universities within the country which is a pointer to the fact that the Journal will outlive us. We challenge academic staff, particularly future Head of Department, to nurture and sustain the journal under all circumstances and situations.

That the journal has seen the light of the day is due to the kind approval of the former Vice-Chancellor Professor Sulyman Age Abdulkareem and the continued support of the present Vice-Chancellor Professor. Taofeek Ibrahim. The Department is indeed very grateful to both of them.

The Department have deliberated on how to ensure the frequency of this journal in the future from the financial point of view. For this reason, the maiden edition of the journal would be officially lunched to raise money for the continuity of the journal. On behalf of the Department, I express my profound gratitude to the Editorial Advisory Board and the Editorial Members who have worked to make the appearance of this issue a reality.

E. O. Oyatoye (Ph.D.)
Chairman

AL-HIKMAH MANAGEMENT REVIEW
CALL FOR PAPERS

AL-HIKMAH MANAGEMENT REVIEW offers a highly readable research-oriented collection of articles dealing with virtually all major aspects of Management disciplines, as it is practiced world-wide. The journal welcomes articles in all areas of management and economics. Both theoretical and applied manuscripts will be considered for publication. Theoretical manuscripts must provide a clear link to important and interesting management and economics applications.

AL-HIKMAH MANAGEMENT REVIEW is a journal published by the Department of Business Administration, Al-Hikmah University, Ilorin, Kwara State. Articles, reviews and notes that are judged potentially suitable for AL-HIKMAH MANAGEMENT REVIEW will be assessed by, at least, two experts.

Papers submitted for publication should preferably be empirical and must deal with typical management problems. No responsibility is assumed for opinions expressed by authors.

Manuscripts are welcome from academics and professionals, should be typewritten, double-spaced using Time New Roman 12 font, and referencing style is APA6 format. Every submission should be in both hard and soft copies (hard copy in triplicate) and should be accompanied by:

- An abstract of between 150-250 words, that gives a clear summary of the article;
- Not more than 25 pages double spaced;
- The author's bibliography in not more than 50 words; and
- A statement that the article has not been submitted for publication elsewhere.

AL-HIKMAH MANAGEMENT REVIEW will be published twice in a year (June and December).Publication fees is Twenty Thousand Naira only (20,000: 5,000 for assessment and 15,000 for publication/author's copy).

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Impact of Electronic Money On The Economy

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Abstract

Electronic money (hereafter refers to as e-money) is a recently development, which means that its technical, legal, economic and cultural components are not yet fully understood and embraced in the country. ***Electronic money*** *is money or scrip that is only exchanged electronically, Thus, the primary objective of this study is to determine the impact of electronic money on Nigeria's economy, Since, it is impossible to cover all related issues regarding electronic money; University of Ilorin community was used as the basis of study, Survey* *design was adopted which elicited necessary data from the selected sample. The total population of study consists of the entire students of University of Ilorin as at 2014/2015 academy session. The research adopted stratifies sampling method where 20 respondents each were selected from the fourteen faculties in the University and simple random sample was used to select respondents from each stratum. Multiple regressionswere used in analysing the data collected. From the analysis of data, the following conclusions were drawn: E-money has a unique advantage which is the fact that it can be used anytime and anywhere. It may probably become the best form of money used for international transactions, as it minimizes the difficulty of currency exchange and also minimises the use of conventional money, reduces the cost of cash management. It could be established that a positive relationship exists between the usage of e-money and the overall economy. From the findings, this study recommended that Government should use the platform of electronic money to formulate monetary policies that will regulate the supply of money in the economy, as this will reduce the cost of cash management and therefore stabilize the rate of inflation in economy.*

Key words: Electronic Money, economy, monetary policy and usage

Introduction

Currently, what is being said everywhere is the use of electronic money, which also refers to ase-money. Because business environment has changed dramatically over the last twenty or thirty years with electronic technology influencing every part of business and private lives, electronic money is coming out on its own. Solomon(1997)affirmed that because of technology, the electronic process of payment transactions has not only grown immensely, but is poised to take over most payments and receipts of value involving money.

There have been many discussions among the stakeholders in financial, legal and technology sectors about the perfect elements, economic effects and future of the e-money, (Medvisky,2007). It is an undeniable fact that since the Internet becomes indispensable phenomenon in our life, following result, seeking for secure and new way of online payments will always be on the agenda and how these affect our economy would be unprecedented, (Neuman, 2007). Furthermore, online electronic payment methods have become a necessity in modern way of life. In the social context, people generally welcome new breakthroughs and mostly ready to use all of them provided that having sufficient financial opportunities and legal guarantees as well, (Financial Services Authority, 2001).

Nigeria has undertaken economic reforms in attempt to get the economy back to a good standard after years of the economy being hindered by mismanagement. The economy is now on its way to reaching its full potential, due to the undertaken reforms which have greatly helped. Among these reforms is the cashless policy which started in Lagos and gradually spread to other parts of the country, though, is facing some challenges. The e-payment policy is aimed at reducing cost of cash management by banks, and consequently, reducing lending rates.A major derivative of this policy - mobile money services – appears to have been in operation with the launch of the service by a number of institutions. Their efforts are expected to make the policy a success.Therefore, this research work tends to determine the effects of electronic money on the economy, using University of Ilorin community as a case study.

Statement of the Problem

Electronic money is a recently development, which means that its technical, legal, economic and cultural components are not yet fully understood and embraced in the country. There is a great attempt at developing and testing the effectiveness of this policy in different stages, under different legislations,(examples include test run in Lagos, Abuja and Kano in the initial take off of policy) but there has not been any tangible attempt to determine its overall impact on the economy as a whole as far as this paper is concerned.

Even though electronic money is getting widespread attention, it has not gained enough acceptances because of the hesitation whether it would be successful or not,Abajue (2010).Since the expansion of Internet, e-commerce, e-payment mechanism has become a popular issue both in commercial and consumers world. E-commerce has altered the way of trading and paved the way for new business opportunities for companies, easier and more access to every kind of products for consumers. Even though electronic transactions performed by using credit or debit cards have some risks, it has the tendency that it will continue to be popular in the future. Every consumer feels unconfident when they transact online payment through internet due to the risk of the personal and financial details being intercepted by unauthorized third parties. Therefore, there is a need for more secured, practical, user-friendly and easy electronic payment systems. In this context, e-money has come into agenda as a new and secured way of making online transactions which can provide anonymity. Particularly, for low value payments, electronic cash products which are still in their infancy, may soon offer a viable alternative to cash payment.

In this study attempt shall be made to present general elements and basic principles of e- money, and practically concentrate on its implication on the Nigeria economy.

Research Questions

i. What is the effect of electronic money on monetary policy of the country?
ii. What is the impact of electronic money on Nigeria's overall economy?

Objectives of the Study

The primary objective of this study is to determine the impact of electronic money on Nigeria's economy. The specific objectives of this study are to:

i. ascertain the effect of electronic money on monetary policy of the country?
ii. determine the impact of electronic money on Nigeria overall economy?

Hypotheses

$H_{01:}$ Electronic money will not have significant effect on monetary policy of the country.

$H_{02:}$ Electronic money does not have impact on Nigeria's overall economy

Literature Review

According to Batalla (2001), the general public tends to define electronic money as 'monetary value charged and stored on an electronic support, in the form of a smart card or incorporated into the memory of a computer. The emphasis was on electronically stored value to value in opposition to information to substitute one contractual debt for another, as in the case of credit cards; or value in opposition to information to instruct a bank to transfer money from an account, as in the case of debit cards, Robertson (1999); Solomon (1997). According to article 3 (b) of Directive 2000/46/EC of European Union: 'e-money' shall mean monetary value as represented by a claim on the issuer which is: stored on an electronic device; issued on receipt of funds of an amount not less in value than the monetary value issued; accepted as means of payment by undertakings other than the issuer. The Commission intends to change the definition of e-money to achieve consistency with the payment services regime.

Furthermore, second criteria "issued on receipt of funds of an amount not less in value than the monetary value issued" is intended to be removed to prevent a potential loophole, in that issuance of an amount which is less in value than the monetary value might be sufficient to disqualify such products from being considered to be e-money, Bamodu (2003).'e-money is broadly defined as an electronic store of monetary value on a technical device that may be widely used for making payments to undertakings other than the issuer without necessarily involving bank accounts in the transaction, but acting as a prepaid bearer instrument' Elinor(1997).

Features of electronic money

There have been many proposals about the features of e-money. At first, properties of traditional money, namely; medium of exchange, value, security, inter-operability and portability should be fulfilled, Laukka, (2002). Some claim that e-money does not perform all the functions of conventional money, since it currently performs only the function of medium of exchange, Sardoni&Verde (2006).However, the following are consider as the general features of E-money:

1. **Security and Reliability:** E-money infrastructure must be secured enough to prevent any interceptions. Transactions between the partners should be protected to the risk of cyber-crimes. The e-money system must be highly robust, unbreakable and available at all times in order to provide the same trust to traditional money. People generally are familiar with the fact that connection to a bank can be down due to technical problems, but they would certainly be quite annoyed if their e-money was crashed or unavailable, Laukka, (2000).
2. **Anonymity:** It is a way of protecting the privacy of the customer. Any transactions should be private. Although cash is fully anonymous, Stalder states that: 'All e-money systems have to define a range of privacy between the two poles: total anonymity and full auditability', Stalder, (2005)
3. **Portability:**E-money should not be dependent on any physical location. There should be possibility to secure the e-money and store it somewhere on the net without limiting access to it at any random terminal on the condition. It must also be possible to use smart cards and other media for storing and using money. The e-money has to be distributable and transferable though open networks and storable on different devices and in different locations inside and outside these networks, Laukka, (2000)
4. **Off-line capable:** It should be possible to execute off-line transactions between the two exchanging parties without third parties. The system must not rely on online checks or account balance checking, that can be spent anytime and anywhere without any authentication, Laukka, (2000); Guttmann(2003)
5. **Divisible and Reusability**: Even though physical cash has some restrictions in terms of size and number that cannot be divisible in some certain cases, there must not be any restriction for the application of e-money. Just like traditional money, e-money should be used again and again by transferring to another person without bank intervention, Laukka, (2000).

Theoretical Framework

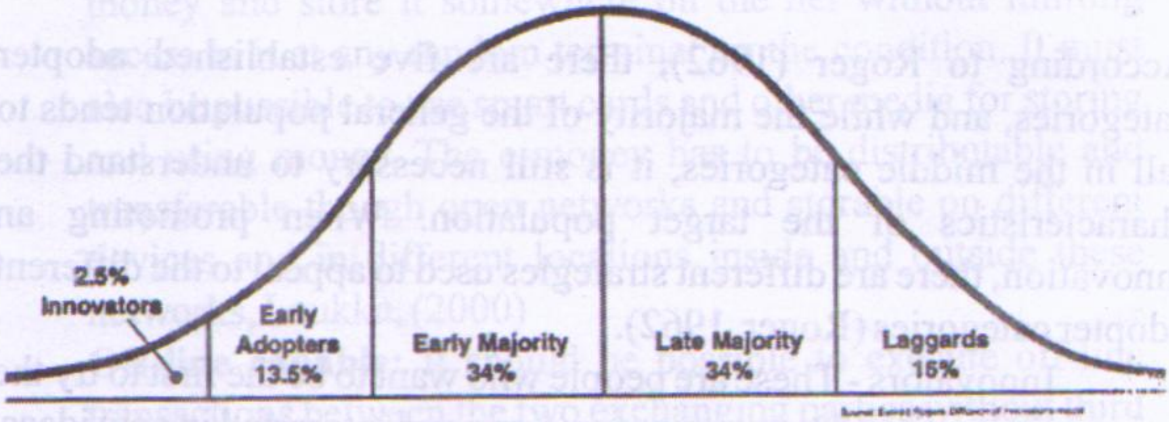
The theoretical framework of this study focused on two theories so as to modeless the subject matter effectively. These theories are diffusion of innovation (DOI) theory and financial liberation theory.

Diffusion of Innovation (DOI) Theory, developed by E.M. Rogers in 1962, is one of the oldest social science theories. It originated in communication to explain how, over time, an idea or product gains momentum and diffuses (or spreads) through a specific population or social system. The end result of this diffusion is that people, as part of a social system, adopt a new idea, behaviour, or product. Adoption means that a person does something differently than what they had previously (i.e., purchase or use a new product, acquire and perform a new behaviour, etc.). The key to adoption is that the person must perceive the idea, behaviour, or product as new or innovative. It is through this that diffusion is possible.

According to Roger (1962), there are five established adopter categories, and while the majority of the general population tends to fall in the middle categories, it is still necessary to understand the characteristics of the target population. When promoting an innovation, there are different strategies used to appeal to the different adopter categories (Roger, 1962).

1. Innovators - These are people who want to be the first to try the innovation. They are venturesome and interested in new ideas. These people are very willing to take risks, and are often the first to develop new ideas. Very little, if anything, needs to be done to appeal to this population.
2. Early Adopters - These are people who represent opinion leaders. They enjoy leadership roles, and embrace change opportunities. They are already aware of the need to change and so are very comfortable adopting new ideas. Strategies to appeal to this population include how-to manuals and information sheets on implementation. They do not need information to convince them to change.

3. Early Majority - These people are rarely leaders, but they do adopt new ideas before the average person. That said, they typically need to see evidence that the innovation works before they are willing to adopt it. Strategies to appeal to this population include success stories and evidence of the innovation's effectiveness.
4. Late Majority - These people are sceptical of change, and will only adopt an innovation after it has been tried by the majority. Strategies to appeal to this population include information on how many other people have tried the innovation and have adopted it successfully.
5. Laggards - These people are bound by tradition and very conservative. They are very sceptical of change and are the hardest group to bring on board. Strategies to appeal to this population include statistics, fear appeals, and pressure from people in the other adopter groups.



Sources: *Rogers, Everett M. (1962). Diffusion of Innovations (first edition)*

The stages, by which a person adopts an innovation, and whereby diffusion is accomplished, include awareness of the need for an innovation, decision to adopt (or reject) the innovation, initial use of the innovation to test it, and continued use of the innovation.

Financial Liberalization Theory

McKinnon [1973] and Shaw [1973] are the pioneers of financial liberalization theory; Fowowe [2008] showed that McKinnon and Shaw advocated financial liberalization was necessary to address the problems caused by the repressive financial policies of thecountries development. In his book, "Money and capital in economic development," McKinnon [1973] emphasizes a fundamental way on the term financial savings that guarantee growth. It further emphasizes that governments must remove all barriers faced by financial intermediaries.In analysis of McKinnon, the investment is considered indivisible, fully self-funded and requires a prior accumulation of capital. This indivisibility of investments, to which is added the difficulty of access to financing by the international capital markets, places developing countries in a particular situation where capital accumulation is severely compromised.

For Shaw (1973), financial liberalization has to point of originally a denationalization of the financial system. It is characterized by easing the functioning of the financial market by removing all obstacles. As described by McKinnon, financial repression in Shaw (1973) takes the traditional forms. The pioneering work of McKinnon and Shaw [1973] are a priori converging their ultimate goal: the development and economic growth. This goal is achieved primarily through a policy of financial liberalization in the context of perfect capital markets, which replaces the policy of financial repression adopted by several developing economies.

This paper is anchored on the financial liberation theory which believed that if the government remove barriers in economy that prevent easy transaction, this will lead to economy development.

Empirical Framework

Dahunsi & Akinyede (2014) use primary data to investigate ICT Perspectives on the Feasibility Analysis of the Cashless Economy in Nigeria. The sampling size to be used by the researcher in this study constitutes (300) banking customers and 20 credit officers in Nigerian banks. Nigerians are of the opinion that ATM is the best means of usage of cash-less banking and most of the services accessed with ATMs are cash withdrawals. This indicates that bank customers do not patronize other e-services that ATMS have to offer such as payment of bills, purchasing recharge card, e-transfers etc.

Miescigha & Ogbodo (2013) studied the empirical analysis of the benefits of cashless economy on Nigeria's economic development. The study made use of accidental sampling method in the selection of a sample size of 520 persons out of an infinitenational population of educated Nigerians. Well-structured questionnaires were administered to the selected 520 educated Nigerians for the purpose of reaching a dependable conclusion, however, only 468 copies representing 90 percent of sampled persons completed and returned the questionnaires. The study utilized two sources of data collection, the primary and secondary sources, data collected were statistically analysed using the simple percentages, while chi-square and Analysis of Variance (ANOVA) tests were used in testing hypotheses 1 & II respectively. The study concluded that that the cashless economy is an essential tool for transparency, accountability, and reduction of cash related fraud, and more importantly economic growth and development.

Methodology

The population of this study consists of all the students of the University of Ilorin. This is based on convenience for the researcher and also the technicality of the questionnaires administered which requires sufficient knowledge of electronic money.Therefore, as a result of the enormous number of the population, hence, the researcher adopted the use of stratified sampling in grouping the population into definite groups called strata. From these strata, the sample is selected by applying simple random sampling technique, Therefore, the population of University of Ilorin is grouped by respective faculties constituting the strata. 20 samples was drawn from each of the 14 strata (faculties) making it to be a total sample size of 280 respondents. Therefore, 280 questionnaires will be self-administered by the researchers to the selected respondents. According to Dillman (2000) and Hill et al. (2003), a sample size of 100 and above is sufficient to present good concise research findings and also, provide good representation of the population or organization investigated.

For statistical analysis of the data gathered, multiple regressions analysis was employed. The rationale for using multiple regression analysis is because it is a statistical tool that not only explores the relationship between two variables but also indicates the direction and magnitude of the effect of the independent variable (Electronic money) on the dependent variable (economic development).

Hypothesis 1:

$H_{O1:}$ Electronic money will not have significant effect on monetary policy of the country.

Table 1 **Model Summary**

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.892[a]	.796	.794	.619

Source: Field survey, 2015

a. Predictors: (Constant), EFFECT OF e-money ON CASH CARRYING HABIT OF NIGERANS

Table 1 revealed the value of R-Square and adjusted R-Square model. The R –square value as shown in table 10 is 0.796 (79.6%) and the adjusted R-Square is 0.794 (79.4%). This means that the variability changes in monetary policy of the country could be accounted for by 79.4% adoption of e-money. This means that there is a positive relationship between economic policy and adoption of e-money.

Table 2 **ANOVA[b]**

Model		Sum of Squares	Df	Mean Square	F	Sig.
1	Regression	253.741	1	253.741	662.001	.027[a]
	Residual	65.160	278	.383		
	Total	318.901	279			

Source: Field survey, 2015

a. Predictors: (Constant), EFFECT OF e-money ON CASH CARRYING HABIT OF NIGERANS

b. Dependent Variable: ERADICATION OF CONVENTIONAL MONEY(CASH) AS A RESULT OF e-money

Table 2 shows that the P-value is 0.027 which is less than alpha value (0.05). Therefore, the Null hypothesis which states that Electronic money will not have significant effect on monetary policy of the country is rejected, while Alternative hypothesis which states that Electronic money will have significant effect on monetary policy of the country is adopted.

Table 3 **Coefficients[a]**

Model		Unstandardized Coefficients		Standardized Coefficients		
		B	Std. Error	Beta	t	Sig.
1	(Constant)	.937	.097		9.688	.027
	EFFECT OF e-money ON CASH CARRYING HABIT OF NIGERANS	.997	.039	.892	25.729	.000

Source: Field survey, 2015

a. Dependent Variable: ERADICATION OF CONVENTIONAL MONEY(CASH) AS A RESULT OF e-money

Table 3 shows the coefficient of the regression model. The intercept and slope (i.e B) as shown in the table are 0.937 and 0.997 respectively. This could be written in model form as y= 0.937 + 0.997x. Where y = "Monetary policy" and X= "adoption of e-money", hence, Alternative hypothesis which states that Electronic money will have significant effect on monetary policy of the country is adopted.

Hypothesis 2

H_{02}: Electronic money does not have impact on Nigeria overall economy

Table 4 Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.965[a]	.932	.932	.308

Source: Field survey, 2015

a. Predictors: (Constant), BUSINESS OPPORTUNITIES AS A RESULT OF e-money

Table 4 revealed the value of R-Square and adjusted R-Square model. The R –square value as shown in table 7 is 0.932 (93.2%) and the adjusted R-Square is 0.932 (93.2%). This means that the variability changes in Nigerian economy could be accounted for by 93.2% adoption of e-money. This means that there is a positive relationship between Nigerian economy and adoption of e-money.

Table 5 **ANOVA[b]**

Model		Sum of Squares	Df	Mean Square	F	Sig.
1	Regression	221.542	1	221.542	2.335E3	.014[a]
	Residual	16.132	170	.095		
	Total	237.674	171			

Source: Field survey, 2015

a. Predictors: (Constant), BUSINESS OPPORTUNITIES AS A RESULT OF e-money

b. Dependent Variable: ECONOMIC DEVELOPMENT ENHANCEMENT

Table 5 depicts that the P-value is 0.014 which is less than alpha value (0.05). Therefore, the Null hypothesis which states that Electronic money will not have significant implication on the Nigeria economy is rejected, while Alternative hypothesis which posits that Electronic money will have significant implication on the Nigeria economy is thereby adopted.

Table 6 Coefficients

Model		Unstandardized Coefficients		Standardized Coefficients		
		B	Std. Error	Beta	t	Sig.
1	(Constant)	.118	.048		2.474	.014
	BUSINESS OPPORTUNITIES AS A RESULT OF e money	.924	.019	.965	48.317	.000

Source: Field survey, 2015

Dependent Variable: ECONOMIC DEVELOPMENT ENHANCEMENT

Table 6 shows the coefficient of the regression model. The intercept and slope (i.e B) as

shown in the table are 0.118 and 0.924 respectively. This could be written in model form as y= 0.118 + 0.924x. Where y = "Nigeria economy" and X= "adoption of e-money".

Discussion of Findings

This study investigated the effects of electronic money on the economy. Electronic money refers to the process enabling the payment or transfer of funds electronically; the findings indicated that majority of the respondents considered for the study have reasonable knowledge and have at least once used e-money. On this line, the study found out that e-money may be embraced by all in the future.

According to the finding, e-money is considered to be more convenient than conventional money (cash) as it can be used anytime and anywhere. It was however found out that e-money would not ultimately leads to total eradication of conventional money (cash), even though conventional money (cash) would not eventually remain as the necessary and ultimate instrument of transaction in the organization. This is because of the fact that e-money is considered to be an effective means of transaction and that it has increased people's satisfaction in transacting business as a result of the fact that transacting business with e-money is faster and less stressful than conventional money (cash). This also aligned with findings of Mieseigha & Ogbodo (2013) that the cashless economy is an essential tool for transparency, accountability, and reduction of cash related fraud, and more importantly economic growth and development.

Of equal important is the fact that e-money has paved way for new business opportunities, which correspond that adoption of e-money related services in Nigeria would enhance economic development: This also aligned with findings of Mieseigha & Ogbodo (2013) that the cashless economy is an essential tool for transparency, accountability, and reduction of cash related fraud, and more importantly economic growth and development.

Conclusions

From the research findings derived from the study analysis, the following conclusion are reached;

It is an undeniable fact that since the Internet becomes indispensable economic phenomenon, seeking for secure and new way of transactions will always be a paramount issue that must be considered as an economic agenda. E-money has a unique advantage which is the fact that it can be used anytime and anywhere. It may probably become the best form of money used for international transactions, as it minimizes the difficulty of currency exchange. It is reliable, faster, less cumbersome, and has low costs of transaction when compared with conventional money (cash). E-money is more secured than conventional money (cash). All that needs to be done to enhance its security is to take some simple precautions to make sure that transacting card or online account is not misused or distorted.

From the findings of the study, it could be established that a positive relationship exist between the usage of e-money and general acceptability of e-money. In another word, for e-money to be embraced by all in the future, depends on the level of effectiveness as well as the usage of e-money by the populace. Relative to this note is the fact that e-money may be accepted as a means of transaction by the general populace, which will have a direct impact on the economic development and which in turn will affect the economic policy of the country.

Recommendations

In the light of the above findings, the following recommendations are made.

Government should use the platform of electronic money to formulate monetary policies that will regulate the supply of money in the

economy, as this will reduce the cost of cash management and therefore stabilize the rate of inflation in economy.
Also, government should ensure that the policy is adequately monitor and review periodically in order to meet the necessary change in the country because it has significant impact on the overall economy performance in term interest rate stability. This will enable existing and new business ventures to borrow money at predictable interest rate.

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