

The Future of Cryptocurrency

The Nigeria Landscape

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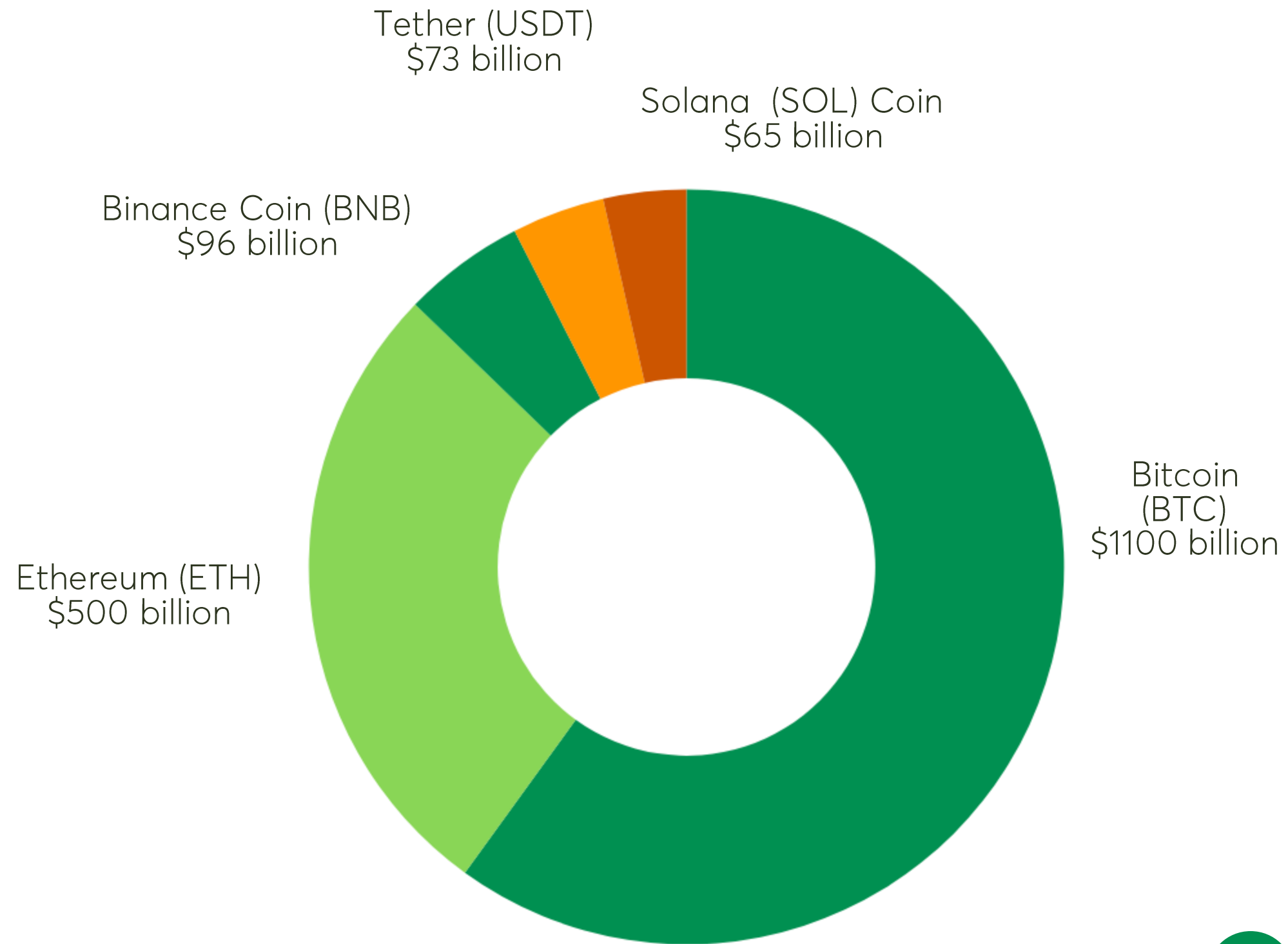


What is Cryptocurrency?

Cryptocurrency (Crypto) is a type of digital or virtual money. Unlike traditional currencies issued by governments (like naira or dollars), cryptocurrencies operate on a technology called blockchain. A blockchain is a decentralised system that records all transactions across a network of computers. This makes cryptocurrencies generally secure and allows them to work without the need for a central authority, like a bank.

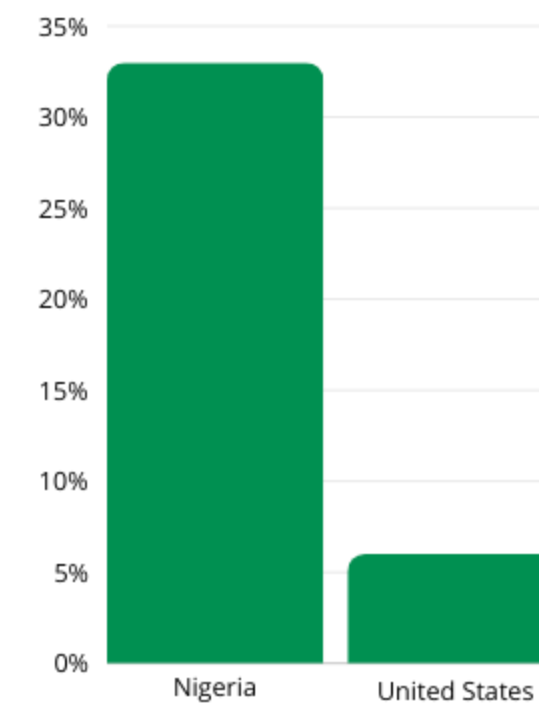
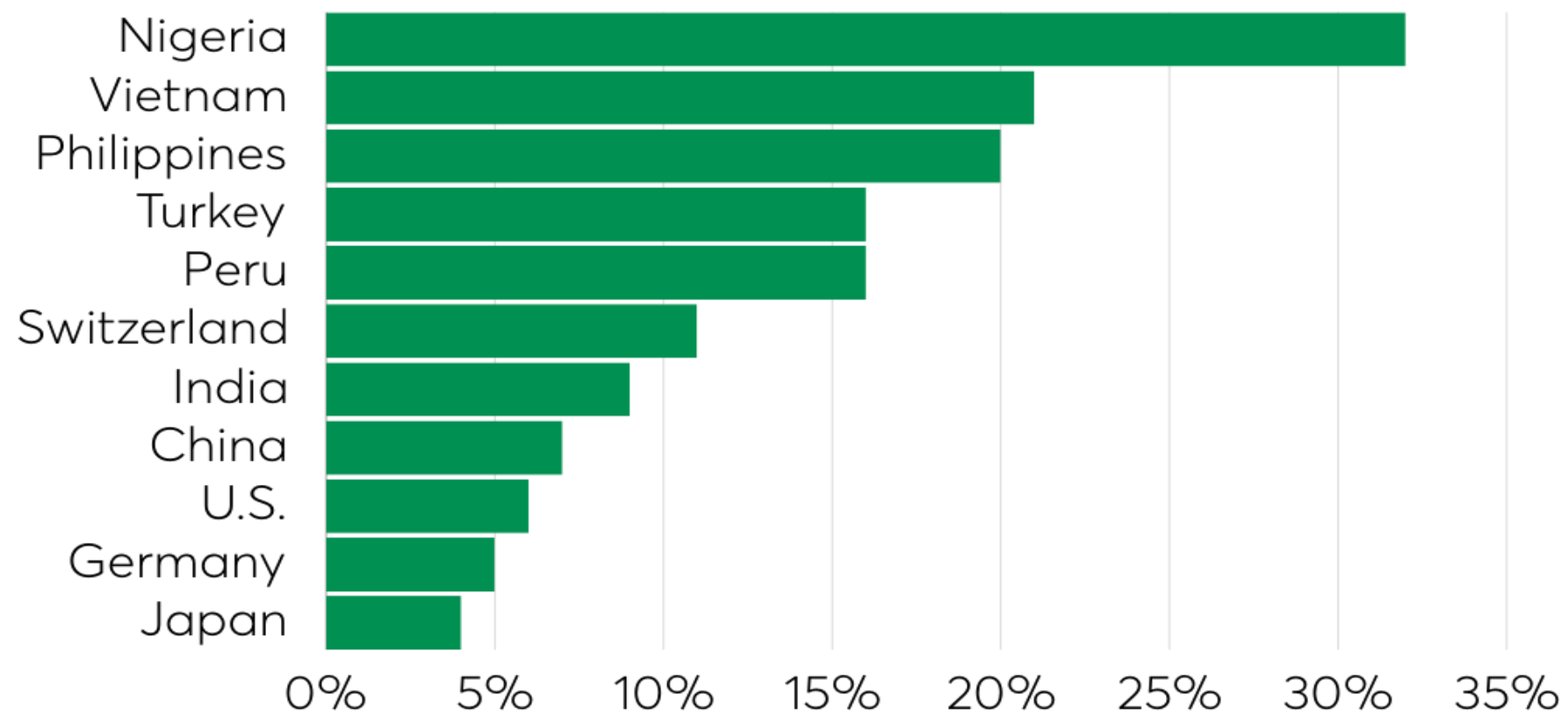
source: crypto.com

Top 5 Cryptocurrencies by Market Cap in Africa



Crypto Prevalence in Nigeria

Global ratio of crypto usage among the respondents per country



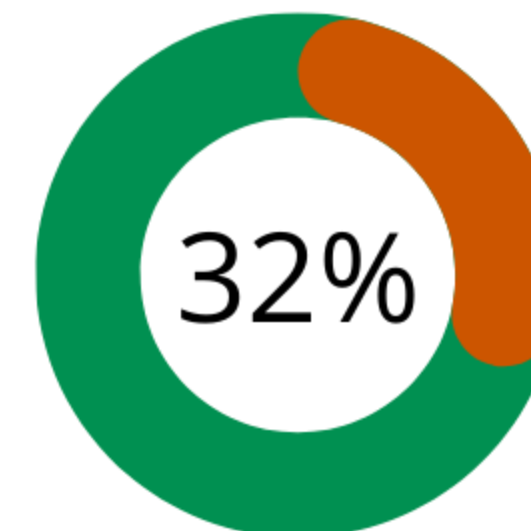
• Another survey carried out showed that crypto usage in Nigeria is one of the highest in the world. A staggering 1 of 3 (33%) respondents from Nigeria owned or have used crypto between 2019 - 2023, as opposed to 6 of 100 (6%) respondents from the United States.

Why this massive adoption in Nigeria?

- Financial inclusion
- Tech-savvy youth
- Economic challenges

1000 - 4000 respondents per country (A representation of country online population).

This chart reveals a surprising truth: Nigeria isn't just buzzing with energy and ambition, it's also leading the world in cryptocurrency adoption. While the reasons for this surge are complex, factors like financial inclusion, tech-savvy youth, and a desire for alternative solutions likely play a role. With such a strong start, it'll be fascinating to see how Nigeria's crypto scene evolves in the coming years.

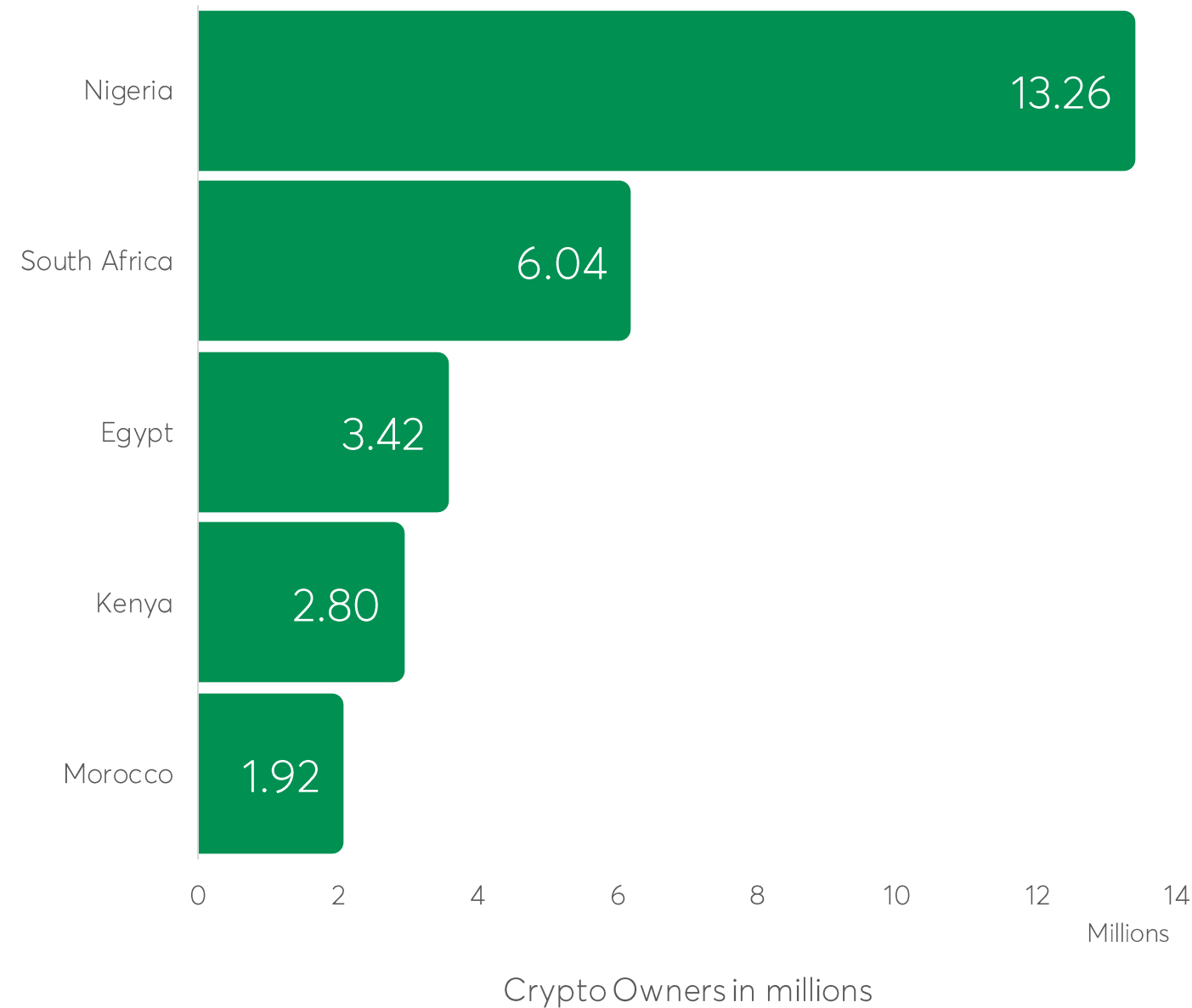


• Forget gold rushes, Nigeria is on a crypto frenzy! According to a 2020 Statista study, a staggering 32% of Nigerians surveyed own cryptocurrency, claiming the top spot for global adoption.

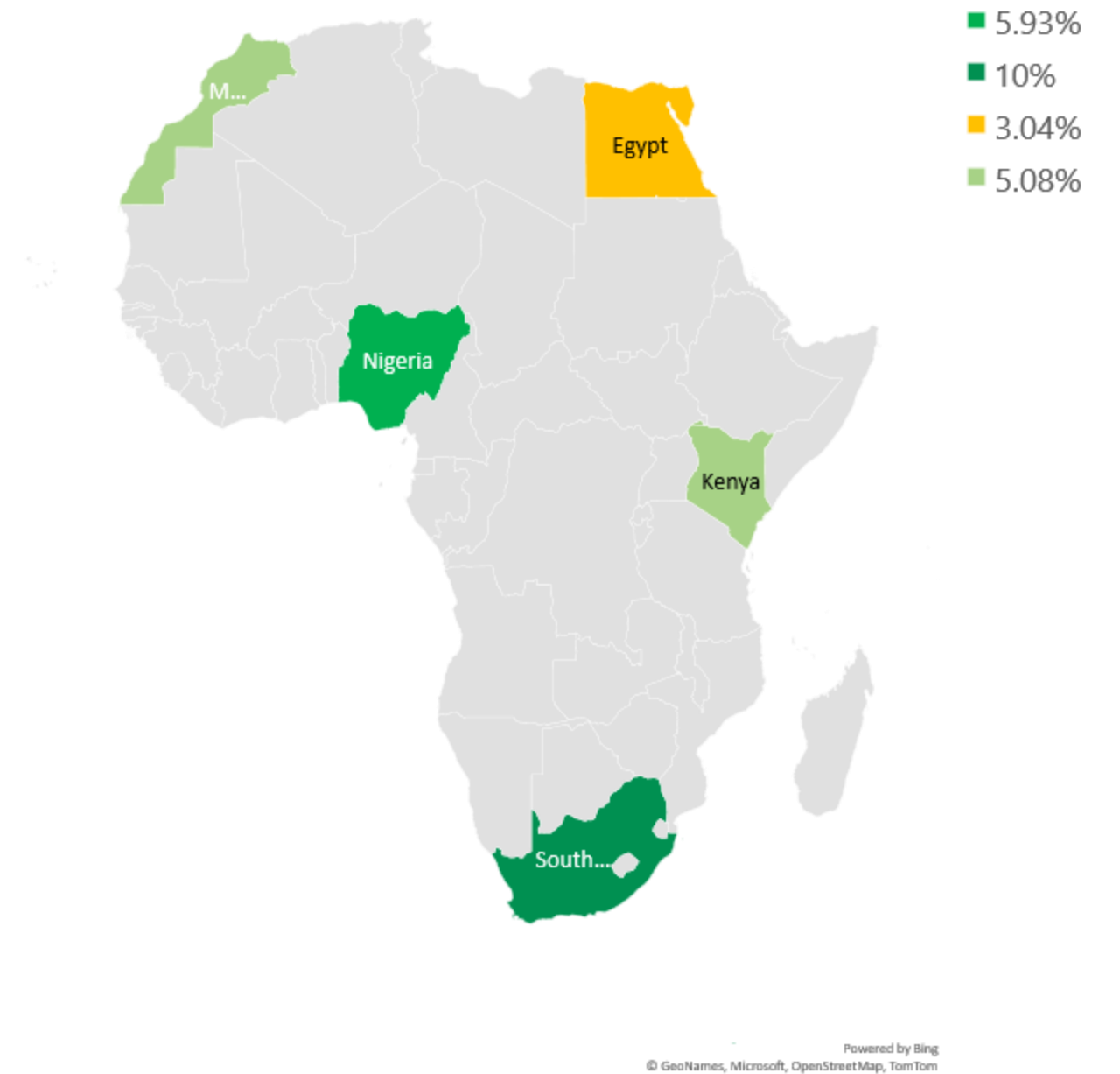
Despite regulatory uncertainty, Africa's crypto market exhibits remarkable dynamism

Africa's Digital Gold Twins!: Nigeria Booms, South Africa Shines

Top 5 African Countries by Cryptocurrency Ownership (2023)



Top 5 African Countries by Crypto Ownership Ratio in 2023

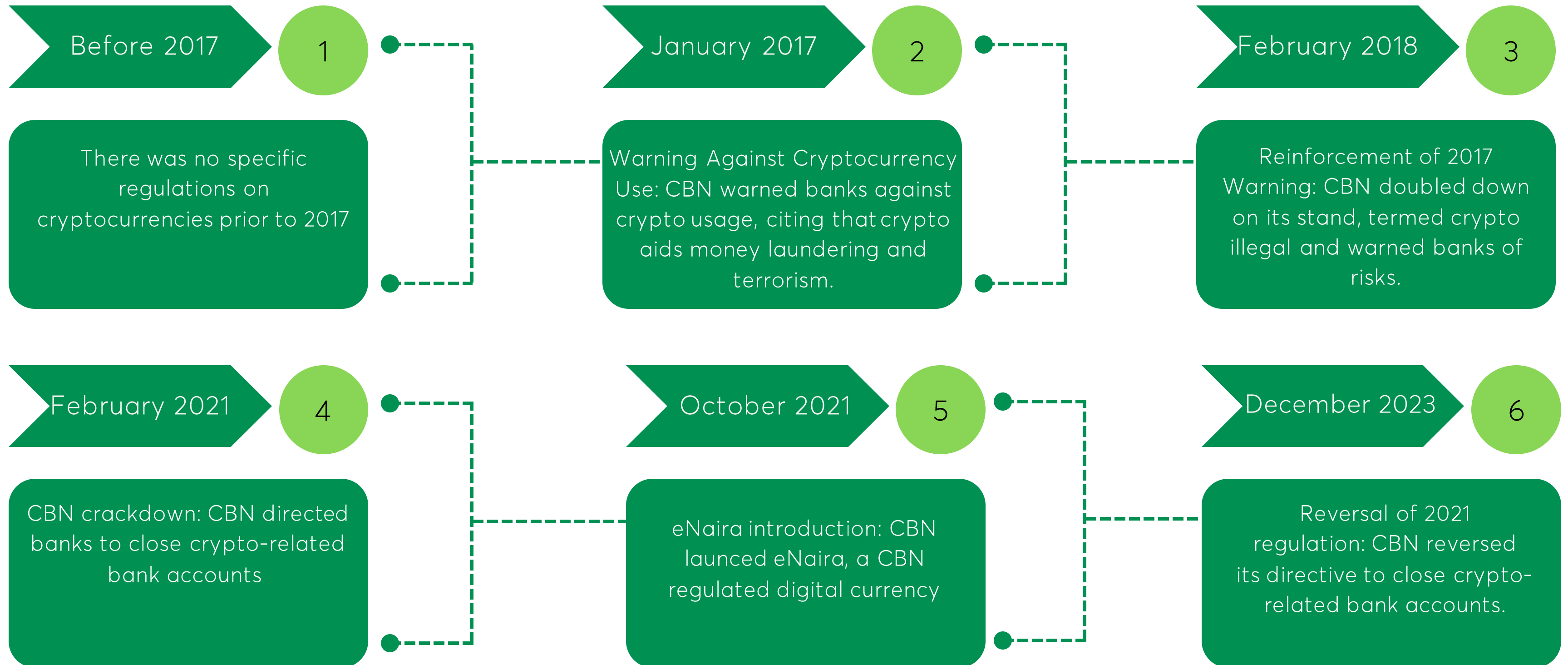


Nigeria leads with 13 million crypto owners, but South Africa takes the lead with 1 in 10 of the population owning digital gold!, Meanwhile Egypt maintains cautious policies against crypto, while Morocco's scene recovers from a 2017 ban.

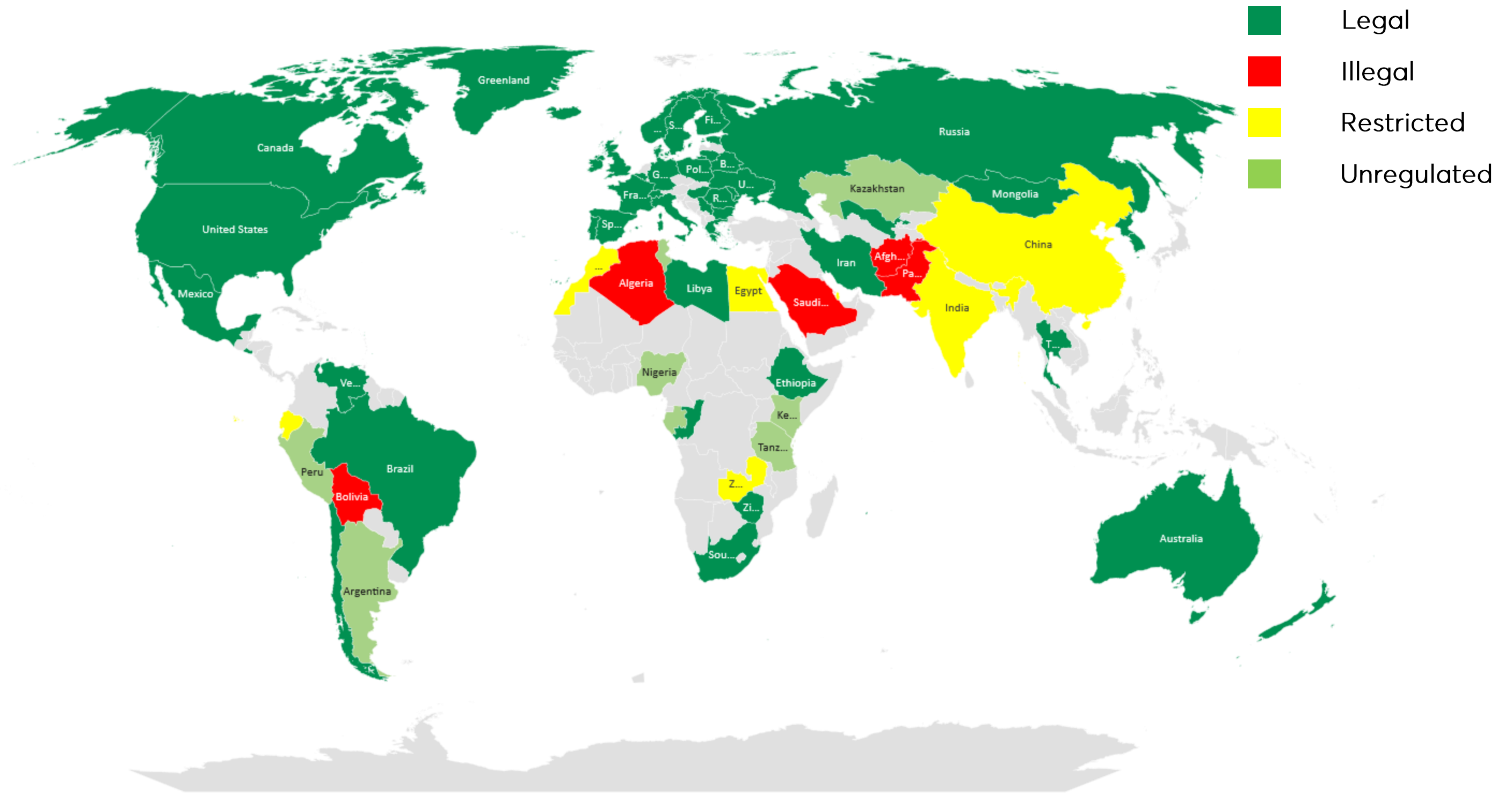
Crypto in Nigeria: Unregulated past, cautious present, uncertain future



The high prevalence of Cryptocurrency in Nigeria has kept the CBN busy over the years with 6 regulations in the last 7 years



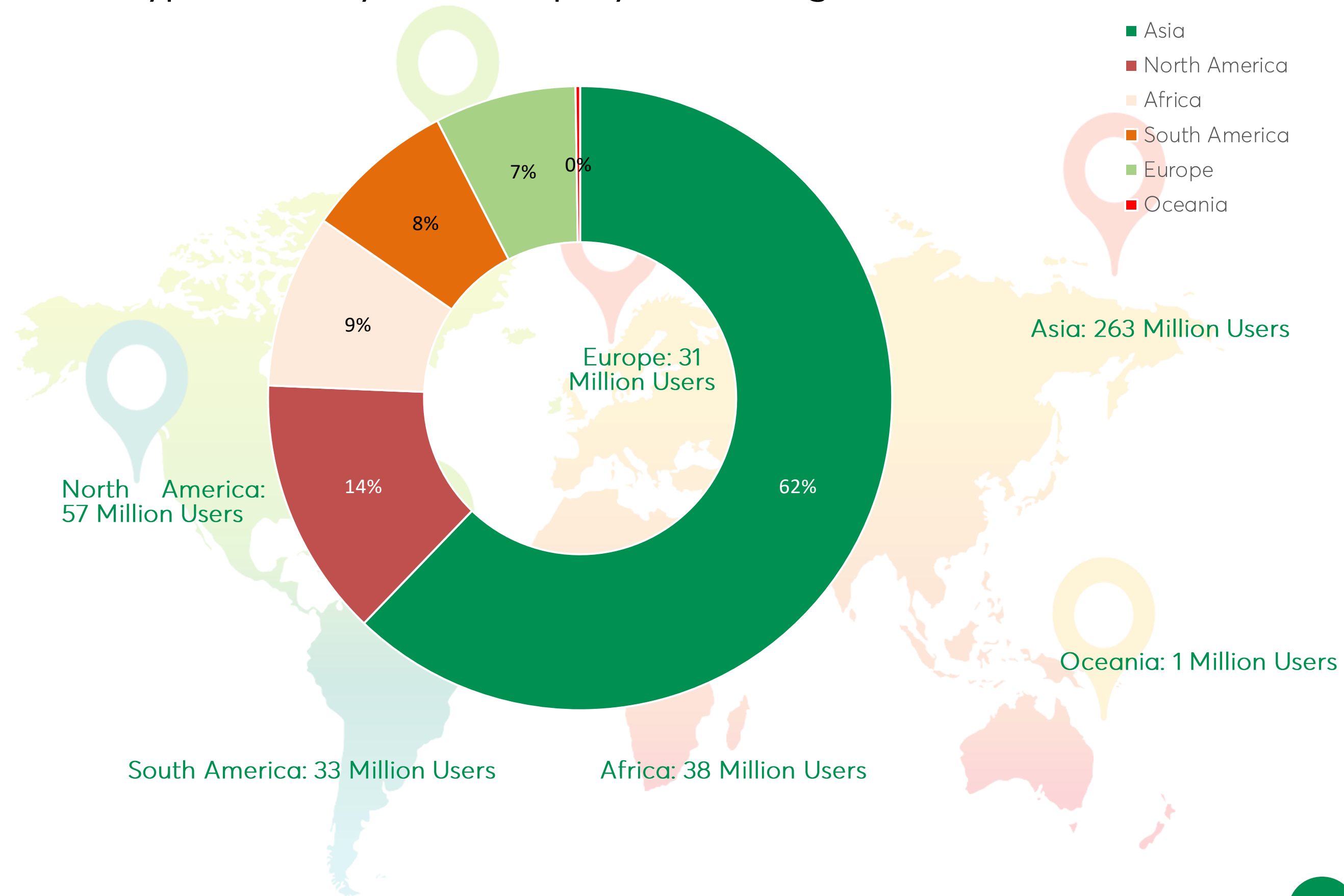
Legality of Crypto in different Countries



Europe and North America have traditionally been leaders in cryptocurrency adoption, but the landscape is rapidly shifting as other regions, like Asia and Africa, see explosive adoption policies.

Cryptocurrency Ownership by World Region in 2023

Asia: Crypto Kingpin Despite Chain Reaction of Bans.
North America and Africa hustles hard, but can't dethrone the Asian champ



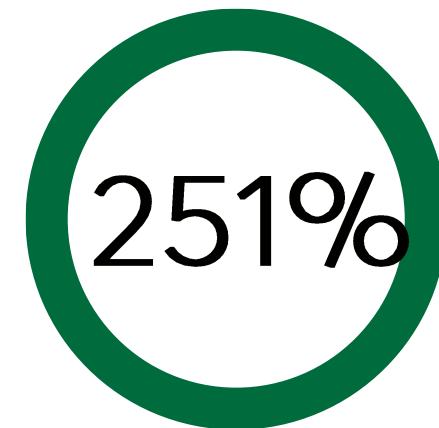
Peer-to-Peer (P2P)

In response to CBN's ban on crypto activities, Nigeria crypto community demonstrated resilience by shifting to peer-to-peer mode of trading

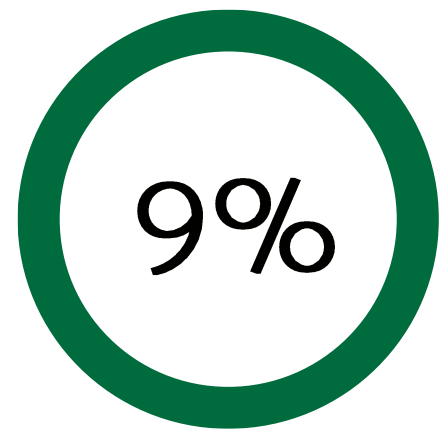


Crypto dealers switched to peer-to-peer (P2P) trade following the ban in 2021.

P2P trades are between individuals without intermediation by a third party, typically a bank. Binance and other major crypto exchanges launched an express mode for P2P trades in Nigeria, allowing users to buy and sell on that platform without going through banks as a third party.

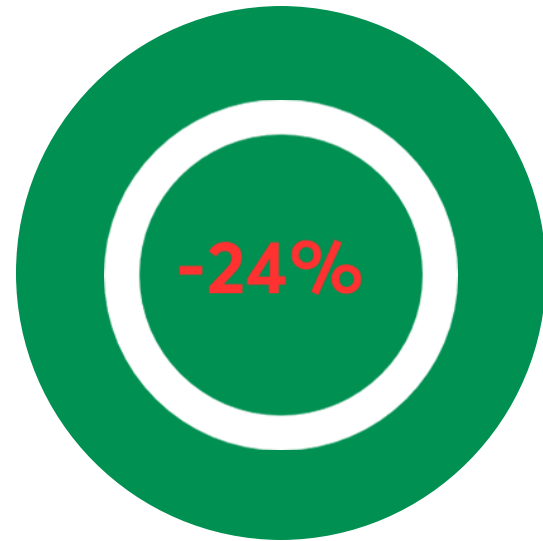


Crypto transaction in Nigeria increased from \$684 million in December 2020 to \$2.4 billion in May 2021.



New York-based blockchain research firm Chainalysis said in a September report that the volume of crypto transactions in Nigeria grew 9% year-over-year to \$56.7 billion between July 2022 and June 2023.

Crumbling naira, soaring crypto: Nigeria's digital escape



Naira Devaluation:

In 2020 the CBN **decreased** the value of the Naira by **24%**. To most Nigerians, crypto seems like a way of preserving the value of their savings.



Global Accessibility:

Cryptocurrencies are borderless, allowing anyone with an internet connection to participate in the network. This increases financial inclusion especially for unbanked population.



Lower Transaction Fees:

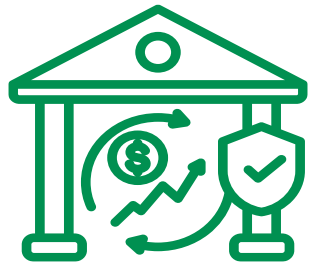
Cryptocurrencies offer a cost-effective solution for transferring funds globally as transaction fees are typically lower than those charged by traditional financial institutions.



Fast and Efficient

Transactions: Cryptocurrency transactions offer faster settlement times than traditional banking systems, especially for cross-border transfers.

Crypto in Nigeria: From Outcast to Regulated?



- **Regulatory Approach:** In May 2022, the Nigerian Securities and Exchange Commission (SEC) introduced digital asset regulations aiming to balance complete control with open access. These rules require digital asset exchange (DAX) platforms to obtain permits and grant the SEC extensive record access.
- **Key Provision:** DAXs specifically facilitate trading of virtual and digital assets under this framework. This definition clarifies the purview of regulated cryptocurrency activity.
- **Policy Shift:** Recognising the evolving global landscape, the Central Bank of Nigeria (CBN) lifted its ban on cryptocurrency transactions in December 2023. This reversal highlights the growing acceptance of regulating crypto activities rather than prohibiting them entirely.

Activities that fall under the Nigeria digital asset rules

- The trading, exchange, and transfer of virtual assets
- Involvement in any aspect of distributed ledger technology (DLT)-related and virtual digital asset services
- All issuers and sponsors of virtual/digital assets, including international and non-residential issuers and sponsors
- Any operator that actively targets Nigerian investors

Even with the lift of ban on crypto in Nigeria, it is important for the potential crypto traders to get accustomed with the major drawbacks of Cryptocurrency



Volatility

Cryptocurrencies' high price volatility poses risks for investors and businesses alike, as sudden price swings can lead to significant financial losses



Lack of Consumer Protection

Cryptocurrency transactions are irreversible, which means that if a transaction is sent to the wrong address or if a scammer deceives a user, there is little recourse to recover the funds



Limited Acceptance

Cryptocurrencies are not yet universally accepted as a medium of exchange, limiting their usability in everyday transactions unlike fiat

Be in control of your financial decisions

While the recent lift of ban on cryptocurrency dealing in Nigeria is a positive outlook towards financial prosperity. It is important to wait for the CBN and The Securities and Exchange Commission (SEC) to finalise their regulations and standings on crypto as this is an ongoing process.

Cryptocurrencies offer decentralisation, security, global accessibility, lower transaction fees, and fast transactions. However, they also come with drawbacks such as price volatility, regulatory challenges, lack of consumer protection, high energy consumption, and limited acceptance. It is crucial to weigh these pros and cons before engaging in cryptocurrency transactions

We advise you to make sufficient financial research, practice adequate risk management, and understand cryptocurrency fully before delving into it to avoid certain drawbacks that comes with cryptocurrency.

Conclusion and Recommendations

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