



## EFFECTS AND IMPLICATIONS OF CRYPTO CURRENCY BAN ON NIGERIAN ECONOMY

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**Abstract:** *The topic of this study is the effects and implication of crypto currency ban in Nigerian economy. The purpose of this study was to find out the opinions of Nigerians and crypto currency traders on the effects and implications of crypto currency ban in Nigerian economy. The researcher adopted Survey research design and used random sample technique. The sample of the study was 400 drawn from a population of 4000 comprising of crypto traders, bankers, bank customers university staff, students and public. The data was collected using structured questionnaires and were analyzed using mean score average. The researcher discovered among other things that the sudden ban of crypto currency trading and transactions has deeply shaken the crypto market in Nigeria, caused emotional shock and trauma to crypto traders and prevent traders from buying crypto currencies with their credit or debit cards issued by Nigeria banks. The implications of these include among other things that the ban may make it difficult for people to own crypto currencies since they cannot buy or sell crypto's. It may lead to continuous depreciation in the value of Naira and loss of money by Nigerians and end up causing serious unemployment, impoverishment and hunger to teeming unemployed youths who trade on crypto currency as a means of livelihood. The researcher therefore recommends among other things that urgent interventions are highly needed from government, security and exchange commission and other stakeholders to deliberate on the potential far-reaching effects of central bank of Nigeria's stance on crypto currency. Federal government through the central bank of Nigeria can regulate the crypto industry by taxing funds generated either through withdrawal deposits or through profits of exchangers and making sure that investors register with their BVN and National identity numbers. These will make it possible to apprehend any fraudster or culprit. Finally, Nigeria could leverage on crypto trading for economic growth and development through revenue generation*

**Keywords-** Crypto currency, Central bank, Effects, Nigerian economy, Implications

### 1.1 INTRODUCTION

Most people mistakenly misunderstood crypto currencies like bit coin to Block chain. Bit coin is a type of unregulated digital currency whose transactions ledger is maintained by block chain technology. One of the loudly touted advantages of bit coin and other crypto currencies is that they are above regulation.

Royal, J. (2020) define crypto currency as a kind of digital currency that is intended to act as a medium of

exchange, it does not have physical form and can only be transferred electronically. Cable (2021) defined crypto currencies or virtual currencies as a digital means of exchange, created and used by private individuals or groups. On a nutshell, Crypto currency is a virtual currency based on ledger, which is highly decentralize and secured by cryptography. Crypto currencies like Bit coin eliminate the need for banks and other financial intermediaries in managing exchange of currencies and

Academic Journal of Current Research

An official Publication of Center for International Research Development

Double Blind Peer and Editorial Review International Referred Journal; Globally index

Available [www.cird.online/AJCR](http://www.cird.online/AJCR); E-mail: [AJCR@CIRD.ONLINE](mailto:AJCR@CIRD.ONLINE)



assets. Most crypto currencies are considered alternative currencies because National Governments do not regulate them and exist outside the bounds of state monetary policy. Crypto currencies are highly beneficial to global economy because it has the potential to enable social and economic growth throughout the whole world including developing countries by offering easier access to capital and financial services

### 1.1.2 STATEMENT OF PROBLEM

In January 2017, Central bank of Nigeria realized a circular where it totally forbade regulated institutions from transacting in virtual currencies in any way. Then in 5th February, 2021, Central Bank of Nigeria through banks and other financial institutions stated that dealing in crypto currencies and facilitating crypto currency exchange are prohibited with effect from 5<sup>th</sup> February, 2021(Adedipe & Atanda, 2021). According to the authors, Central bank of Nigeria argued that there is anonymity and lack of KYC, which made crypto currency susceptible to illegal use, thus contradicting the existing laws and crypto's are not legal tender. CBN (2021) stated that there is a need to protect Nigerians from frauds, risks of loss of investments, money laundering, terrorism financing, illicit fund and criminal activities from unregulated and unlicensed entities,

This ban has generated a lot of controversies and triggers anger among Nigerians, who see crypto currencies as a safe haven in a battered economy, as Nigeria is presently rated as the world's second – largest Bit coin market after united state, trading over \$500 million worth of Bit coin over the last five years(spotlight,5 February,2021). This study seeks to find out the opinions of Nigerians and Crypto currency traders on the effects and implication of crypto currency ban in Nigerian economy.

### 1.1.3 Research Questions

1. What are the effects of crypt currencies ban in Nigerian economy?
2. What are the implications of crypto currency ban to Nigeria economy?

### 1.1.4 Objective of the Study

Specifically the study tends to achieve the following objectives;

- i) To determine the effects of crypto currency ban in Nigeria economy
- ii) To determine the implications of crypto currencies ban in Nigeria Economy

### 1.1.5 Statement of Hypothesis

- i) HO1: Crypto currency ban has positive effects on Nigeria economy
- ii) HO2: Crypto currency ban has possitive implications on Nigerian economy

### 1.1.6 Significance of the study

The research work on the effects and implications of crypto currency ban on Nigerian economy is of very significant because;

- Firstly, it will help the central bank of Nigeria and other financial institutions on their choice of policy formulation and best way forward in this contemporary society
- Secondly, it will help to educate the public more on what crypto currency is all about and why Central bank of Nigeria took the ban decision.
- It will help to source the opinions of Nigerians and crypto traders on the subject matter and what they expect from the Government and financial institution
- Finally, the study will be a novel addition to the existing literature on the subject matter.

### 1.1.7 Scope of the Study

The study covered all the crypto traders and people of Enugu state Nigeria.



## **2.0 MATERIAL STUDIED**

### **2.1 THEORITICAL LITERATURE**

Block chain is a distributed digitized ledger technology, which enables legitimate and extremely secured transactions to take place by means of a point-to-point network. It was created in 2008 by an unknown person behind the online cash currency bit coin, under the pseudonym of Satoshi Nakamoto and brought into practical use in 2009 as a technology to use bit coins. Since then, block chain has continued to gain popularity and has become increasingly useful in many domains. After bit coin, there have been many kinds of crypto currencies operating on a block chain network along with having application in crypto currency, block chain is also proving to be useful in areas such as governance, cyber security, industrial process, financial sector entertainment education and many others. Block chain has the potential to grow to be the bedrock of the worldwide record-keeping systems,

Block chain is fundamentally a distributed database and open source where anyone can change the underlying code and see the current status of an operation. It is actually a per-to-peer network with a massive global database that runs on zillions and zillions of computers. It does not require any controlling intermediaries to authenticate the transactions. Crypto currency and block chain technology are the most disruptive technologies of the contemporary e-era. The scope of block chain has the potential to disrupt key barriers to efficiency, commitment and scaling. It could record any structured information end to end. In the case of setting trillion of real-time transactions in banks, block chain extensively supports settlement systems

### **2.2 Empirical Literature**

On February 5, 2021, the central bank of Nigeria (CBN) outrightly bans the dealings and transactions in crypto currencies. Butressing this, Adedipe & Atanda (2021) stated that central bank of Nigeria through banks and other financial institutions ban the dealings on crypto currencies and facilitating payment for crypto currency exchange. According to the authors, the CBN further instructed all banks and other financial institutions to identify individuals or entities that transact in crypto currencies or operate crypto currency transactions by banks and other financial institutions

Reacting to this ban, Osibanjo (2021), stated that there is a role for regulation, whereby both the monetary authorities and the security and exchange commission would provide a robust regulatory regime that can address the buying and selling of crypto currency without killing the goose that might lay the golden egg. He noted that block chain technology generally and crypto currencies in particular will in the coming years challenge traditional banking including reserve banking, in ways that we cannot yet imagine, so we need to be prepared for that seismic shift and it may come sooner than later.

Abubakar (2021), in his reaction to crypto currencies ban in Nigeria advised the central bank of Nigeria to revisit the policy that ban the dealing and transaction in crypto currencies as what Nigerians needed most now is more jobs and open economy. According to him, Government should prioritize job creation and opening of the economy rather than introducing policies that will restrict the inflow of capital into the country. Ezekwesili (2021) stated that the ban on the dealing and transaction in crypto currencies makes Nigeria appear unprepared for the digital future.

On the meaning of crypto currency, (Trauman, (2014) cited in Mazikana, 2019, pg.1) defined crypto currencies as a subset of digital currencies, which may either have



centralized institutions or are based on a decentralized network. (Mazikana, (2019) citing Brryan, 2014, pg.1) believed that for a centralized currency scheme, the digital currency is issued by one institution, which ensures that the digital coin can be exchanged back to fiat currencies or can be used to buy and sell digital goods. According to the author, one example of this centralized digital currency is the Linden dollar, issued by Linden Lab, which can be used in the online virtual world second Life.

Manimuthu et al (2019) defined bit coin as a crypto currency-based open-source technology that operates in the peer-to-peer grid as a private payment mechanism, the authors stressed that bit coin works on sophisticated cryptography supported by a local community in a peer-to-peer network. According to these authors, unlike other currencies, bit coin seems to have faced many hurdles and with many applications in day-to-day life, created unique challenges for the end user community. They opined that bit coins have open up an entirely new world for both practioners and academicians.

Karlstrum (2014) cited in Mazikana (2019) was of the opinion that the decentralized currency schemes try to avoid central institutions as much as possible and are built on a network of transaction partners. The author buttress that as long as the transaction partners can observe each other, they can build up trust based on their behaviors.

### 3.0 METHODS

#### 3.1 RESEARCH DESIGN

The researcher adopted Survey research design. This is because it required people's opinion and judgments.

##### 3.1.1 Area of the study

The study covered the entire Enugu state of Nigeria and its environ

##### 3.1.2 POPULATION OF THE STUDY

The population of the study comprises of all the crypto traders, bankers, bank customers, staff and students of Universities and the general public in Enugu state and its environ

**TABLE 1 : Population of the study**

	GROUPS	NUMBER	PERCENTAGES
A	Crypto traders	900	22.5%
B	Bankers	600	15%
C	Bank customers	1000	25%
D	Universities Staff & Students	500	12.5%
E	General Public	1000	25%
	TOTAL	4000	100%

##### 3.1.3 SAMPLE AND SAMPLING TECHNIQUES

The researcher adopted a random sampling technique for the study. This was done by computing the sample size of all the staff in each school out of population of 2000. The sample size for the study was computed using the formula;

$$(1) \quad n = \frac{N}{1 + Ne^2}$$

Where:

N = Population for the study = 4000

e = Acceptable error term usually 0.05

n = Sample size

therefore:

$$n = \frac{4000}{1 + 4000(0.05)^2} = 364$$

Hence,



Sample size (n) = 400

To ensure even distribution of the questionnaires to the various Groups in the population table, we use Bowleys population allocation method. Thus;

$nd = n H/N$

where nd = number of allocation to each school

n = Sample size

H = number of staff in each school

N = population size

a)  $nd = 400 \times 900/4000 = 90$

b)  $nd = 400 \times 600/4000 = 60$

c)  $nd = 400 \times 1000/4000 = 100$

d)  $nd = 400 \times 500/4000 = 50$

e)  $nd = 400 \times 1000/4000 = 100$

The table below depicts the sample size for each of the Groups and their percentages

**TABLE 2: Sample of the study**

	GROUPS	NUMBER	PERCENTAGES
A	Crypto traders	90	22%
B	Bankers	60	15%
C	Bank customers	100	25%
D	Universities Staff & Students	50	13%
E	General Public	100	25%
	TOTAL	400	100%

### 3.1.4 INSTRUMENTATION

The instrument used for the data collection was questionnaire.

### 3.1.5 VALIDITY OF THE INSTRUMENT

The research instrument was validated through face and content validity and was modified by research experts of unquestionable temperament in education.

### 3.1.6 RELIABILITY OF THE INSTRUMENT

The instrument was trial for reliability using test re-test method with Four hundred (400) respondents. The instrument was administered on the respondents for one week. The result gotten from the respondent was used to calculate the reliability of the moment using product moment correlation coefficient. The coefficient of reliability calculated was 0.86, which shows that the instrument was highly reliable.

### 3.1.7 METHOD OF DATA COLLECTION

The researcher collected back the questionnaires by hand. Four hundred (400) questionnaires were administered to the respondents. The researcher collected back (495) copies. Hence the sample size for the study is (495).

### 3.1.8 METHOD OF DATA ANALYSIS

The data collected was arranged on the tables. The researcher used four point: like- scales to assemble the data. The research question was analyzed using percentages.

### 3.1.9 Method of data analysis

The data collected was arranged on the tables. The researcher used four point: like- scales to assemble the data. The research question was analyzed using mean average.

$$\bar{x} = \frac{\sum fx}{n}$$

### 3.1.10 Hypothesis Testing

Accept Null hypothesis ( $H_0$ ), if estimated mean value is less than 3.00, otherwise reject  $H_0$

## 4.0 RESULTS AND DISCUSSIONS

4.1. This chapter presents and discussed the results of the study.

**Research Question One:**



What are the effects of crypt currencies ban in Nigerian economy?

**TABLE 3:**

ITEMS	RESPONSE	SA 4	A 3	D 2	SD 1	N	$\Sigma fx$	- x	Remark
1.	The sudden ban of crypto currency trading and transactions has deeply shaken the market and crypto industry in Nigeria	220	130	30	20	400	1,350	3.38	Reject H0
		880	390	60	20				
2.	The crypto currency ban causes emotional shock and trauma to crypto traders and all stake holders in the industry	250	110	25	15	400	1,395	3.49	Reject H0
		1000	330	50	15				
3.	The ban can prevent traders from buying crypto currencies with their credit or debit cards issued by Nigeria banks	215	120	15	50	400	1,300	3.25	Reject H0
		860	360	30	50				
4	The ban can prevent traders from receiving proceeds of crypto currency sales from exchanges which facilitate the buying and selling of crypto currency	235	110	20	35		1,345	3.36	Reject H0
		940	330	40	35				

Table 1, Item 1 depicts that about 130 and 220 respondents agreed and strongly agreed that sudden ban of crypto currency trading and transactions has deeply shaken the market and crypto industry in Nigeria whereas about 30 and 20 respondents disagreed and strongly disagreed with the assertion

Item 2 simply shows that out of 400 respondents, 110 and 250 of them agreed and strongly agreed that the crypto currency ban caused emotional shock and trauma to crypto traders and all stakeholders in the industry while

25 and 15 of them disagreed and strongly disagreed to that.

In item 3, 335 respondents out of 400 respondents believed that crypto currency ban can prevent traders from buying crypto currencies with their credit or debit cards issued by Nigeria banks whereas a total of 65 respondents disagreed with that.

Item 4 depicts that 110 and 235 respondents agreed and strongly agreed that the crypto currency ban can prevent traders from receiving proceeds of crypto currency sales



from exchanges that can help to facilitate the buying and selling of crypto currency

**Research Question Two:**

What are the implications of crypt currencies ban in Nigerian economy?

**TABLE 4:**

ITEMS	RESPONSE	SA 4	A 3	D 2	SD 1	N	Σfx	- x	Remark
1.	It will be difficult for people to own crypto currencies since they cannot buy or sell crypto's	210 840	140 420	25 50	25 25	400	1,335	3.34	Reject H0
2.	It will lead to continuous depreciation in the value of Naira and loss of money by Nigerians	220 880	130 390	30 60	20 20	400	1,350	3.38	Reject H0
3.	The ban will end up impoverishing the teaming unemployed youths who trade on crypto's as a means of Livelihood	235 940	100 300	25 50	40 40	400	1,330	3.33	Reject H0
4	The ban might lead to the death of some Fin teach companies and tech startups	250 1000	100 300	20 40	30 30	400	1,370	3.43	Reject H0
5	Fin tech companies may be forced to lay off their staff as a result of poor capital inflow which will increase unemployment in the country.	240 960	100 300	15 30	45 45	400	1,335	3.34	Reject H0

Table 2, item 1 indicate that out of 400 respondents,350 of them believed that one of the implication of crypto currency ban is that people will find it very difficult to

own crypto currencies since they cannot buy or sell it while 50 respondents disagreed with the assertion.



It is evidence from item 2 that 130 and 220 respondents agreed and strongly agreed that crypto currency ban can lead to continuous depreciation in the value of Naira and loss of money by Nigerians whereas 30 and 20 respondents disagreed and strongly disagreed with them. It is clearly seen from item 3 that 335 out of 400 respondents believed that the ban will end up impoverishing the teaming unemployed youths the more. Unemployment rate in Nigeria is already on a high side and crypto currency ban will help to escalate it the more since crypto trading has become the only source of livelihood to many teaming jobless youth in Nigeria. About 65 out of 400 respondents affirmed negatively. Item 4 simply showed that 100 and 250 respondents agreed and strongly agreed that the ban might lead to the death of some Fin tech companies and tech startups given that digital currency is the currency of the 21<sup>st</sup> century and the contemporary society; 20 and 30 respondents disagreed and strongly disagreed with them. Finally, item 5 indicates that 240 respondents believed that Fin tech companies may be forced to lay off their staff as a result of poor capital inflow thereby increase unemployment rate in the Nigeria. About 60 out of 400 respondents responded negatively.

#### 4.1.1 EVALUATION OF HYPOTHESIS HYPOTHESIS TESTING

Accept null hypothesis if estimated mean value is less than the assume mean of ( 3.00), otherwise reject H0.

##### **Research Question One:**

What are the effects of crypt currencies ban in Nigerian economy?

##### **Hypothesis One**

H0: Crypto currency ban has positive effects on Nigeria economy

H1: Crypto currency ban has negative effects on Nigeria economy

**Table 3**, items (1-4) indicate that the estimated mean values are 3.38, 3.49, 3.25 and 3.38 respectively, which are higher than the assumed mean. This simply means that crypto currency ban has negative effect on Nigeria economy.

We therefore reject the Null hypothesis (H0) and accept the alternative.

##### **Research Question Two:**

What are the implications of crypto currencies ban in Nigerian economy?

##### **Hypothesis Two**

H0<sub>2</sub>: Crypto currency ban has positive implications on Nigeria economy

H1<sub>2</sub>: Crypto currency ban has negative implications on Nigerian economy

**Table 4** simply showed that all the estimated mean value for all the response items (1-5) are all above 3.0 benchmark. The estimated mean values are 3.34, 3.38, 3.33, 3.43 and 3.34 respectively. This simply means that crypto currency ban has negative implications on Nigerian economy we therefore reject the null hypothesis and accept the alternative.

#### 4.1.2 IMPLICATION OF THE STUDY

The study simply showed that crypto currency ban has serious negative implications to the growth and development of Nigerian economy.

Firstly, the ban can increase youth unemployment, impoverishment and hunger as many of them cannot fund and withdraw from their accounts in crypto exchanges.

Secondly, the ban makes it difficult to own and trade in crypto currencies on daily basis



Thirdly, as other countries are exploring ways to make crypto currencies mainstream, the central bank of Nigeria is taking the economy backward for the digital future.

Fourthly, the ban has dampened people's perspective about crypto currencies and seriously affecting the relationship between law enforcement agencies and the owners of crypto currencies.

Finally, the ban might lead to the death of some Fin tech companies and tech startups. This may lead to lay-off of their staff due to poor capital inflows..

### 5.1 SUMMARY

The central bank of Nigeria on 5th February, 2021, through banks and other financial institutions stated that dealing in crypto currencies and facilitating crypto currency exchange are prohibited with effect. The bank argued that there is anonymity and lack of KYC, which made crypto currency susceptible to illegal use, thus contradicting the existing laws.

The study looked at the effects and implications of crypto currency ban in Nigeria economy. Using a random sampling technique and drawing a sample of 400 respondents from a population group of 4000 comprising crypto traders, Bankers Bank customers, university staff, students and public, the author discovered the crypto currency ban has serious negative effects and implications in Nigeria economy.

### 5.2 CONCLUSIONS

The topic of this study is the effects and implications of crypto currency ban in Nigeria economy. The purpose of this study is to find out the effects and implications of crypto currency ban in Nigeria economy. The researcher discovered the following;

#### Effects:

1. The sudden ban of crypto currency trading and transactions has deeply shaken the market and crypto industry in Nigeria

2. The crypto currency ban caused emotional shock and trauma to crypto traders and all stake holders in the industry

3. The ban can prevent traders from buying crypto currencies with their credit or debit cards issued by Nigeria banks and receiving proceeds of crypto currency sales from exchanges

#### Implications

1. The ban will make it difficult for people to own crypto currencies since they cannot buy or sell crypto's

2. The ban will lead to continuous depreciation in the value of Naira and loss of money by Nigerians

3. The ban will end up causing serious unemployment, impoverishment and hunger to teeming unemployed youths who trade on crypto's as a means of Livelihood

4. The ban might lead to the death of some Fin tech companies and tech startups. In addition, Fin tech companies may be forced to lay off their staff as a result of poor capital inflow which will increase unemployment in the country.

### 5.3 RECOMMENDATIONS

Based on the findings, the researcher however recommends that;

1. Nigeria should not behave as if they are unprepared for the digital economy. Nigeria could leverage on crypto trading for economic growth and development through revenue generation



2. Federal government through the central bank of Nigeria can regulate the crypto industry by taxing funds generated either through withdrawal deposits or through profits of exchangers and making sure that investors registered with their BVN and National identity numbers. This will make it possible to apprehend any fraudster or culprit

3. Finally, urgent interventions are highly needed by government, security and exchange commission and other stakeholders to deliberate on the potential far-reaching effects of central bank of Nigeria's stance on crypto currency.

4. Central bank of Nigeria should find out how they can benefit from the crypto industry like United States of America and other developed countries of the world.

#### **5.4 LIMITATIONS OF THE STUDY**

The following are the limitation of the study.

1. The time given for the completion of this research was not enough as it was combined with an academic work, which makes it more cumbersome.

2. The unwillingness of the respondents to give out certain useful information is also a challenge to the researcher.

3. Lack of finance to finance the work was another impediment to the completion of the research.

#### **5.5 SUGGESTIONS FOR FURTHER STUDY**

The researcher suggested that more research work should be conducted in these areas:

1. Economic benefits of crypto currency market to Nigerian economy

2 Crypto currency and Nigerian Economy: the way forward

3. Crypto currency ban and youth unrestiveness in Nigeria: the way forward

#### **5.6 ACKNOWLEDGEMENT**

First, I want to thank the Almighty God for His infinite goodness, mercy, love and protection throughout the period of this research. My profound gratitude goes to CIRD Publications for their motivations and encouragements, especially in area of free publication of this paper. I cannot thank enough Professor Cletus Chike Agu, Prof. N.I .Ikpeze, and Prof. Osita Ogbu for their wise counsel and immense contributions to my knowledge. To you all I say,  
THANK YOU.

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