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THE PHILOSOPHY OF DIGITAL ECONOMY AND THE PHOBIA OF THE TRADITIONAL BANKING SYSTEM IN NIGERIA.

BY

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ABSTRACT

Change is the only thing that is constant in life. Despite the inherent truism in this statement, man finds it difficult to totally adapt to changes and tries to resist it in favour of their perceived comfort zone. The philosophy of the digital economy encapsulates the principles that direct the ways we understand and analyze the digital age in contemporary economy. The traditional banking system in Nigeria seemed threatened by the upsurge of digital currency; this is due to its decentralization. They feared the direct impact it will have in the banking sector as a whole. This paper delves into the effect digital currency has in the Nigerian traditional banking sector and how the rise of Crypto conscious generation of Nigerians has changed the economy. Questions to be resolved are why the Central Bank of Nigeria ban Crypto currency transactions in 2021, did the ban improve banking or the economy? What is its implication in Nigerian?.

KEYWORDS: Digital Economy, Bitcoin, Crypto currency, Central Bank of Nigeria

INTRODUCTION

The digital economy through the Crypto currencies has come a long way through wonderful innovations and evolution. There is noteworthy knowledge we deserve in order to comprehend digital currency. It should be known that the concept of the Bitcoin was central in the idea of a man using the pseudonym Satoshi Nakamoto as back as 2008 but was officially launched in 2009.

Bitcoin was the first decentralized digital currency. The creators wanted a currency that is not regulated by the Central Banks of any Nation or government. They wanted a currency that is more resistant to censorship or manipulation by any government authorities. It operates or works on a technology we refer to as blockchain, this ensures security and transparency. The Nigerian government through its central bank barred its bank and financial institutions from dealing in or facilitating transactions in Crypto currencies in 2021 ^[1].

In this paper, we may wish to ask, why have the Nigerian traditional banking sector been opposed to it? Why did the banks ban transaction in Crypto currencies in 2021 and what effect has it on the upcoming generation. Why have they reversed their earlier stance to ban Crypto transaction in Nigeria? In all these, the emergence of the digital currency has been seen as the best thing that has happened to the Nigerian youths. It is the best that has happened to those who have lost hope on paid employment, hopeless political system and high handed nepotism that characterized almost all facets of the Nigeria socio-economic system.

The Philosophy of Digital Economy

Naturally, one may wish to ask, what are the motives and philosophy behind the development of the digital currency which began with the establishment and launching of the Bitcoin in 2009? We shall thematize some aspects of the motive behind the growth of the digital currency.

Firstly, globalization is a major matrix behind this economy. The idea of connecting people and individuals in business globally through digital devices by internet networks, helps breaks the barriers of geographical divide. By breaking barriers, men can seamlessly collaborate and communicate with each other easily. This was necessary for freedom and destruction of unnecessary international barriers.

Secondly, the main principle and philosophy of digital economy is openness and ability to collaborate with one another, for example with governments, individuals, including businesses of all types. This openness and collaboration is the driving force in achieving goals. The digital economy is noted as the freest economy since the beginning of mankind.

Thirdly, digital economy creates room for accessibility and recognizes the importance of inclusion regardless of factors such as education, income or location for people. It closes or bridges the gap inherent in traditional banking.

In addition to these beautiful reasons is the importance of data which is considered as an invaluable driver of innovation, decision making and very good productivity.

The matrix inherent in the philosophy of digital economy is the evolving strength of digital technology and its need to expose the latent possibilities in this new age for fast economic growth and the improvement of the living standards of people in various societies.

The idea and philosophy behind Crypto currency was received with open hands in Africa, especially the Nigerian youths who have lost hope in the political and economic structure of present day Nigeria. They saw a new haven of hope in it, due to its global and borderless structure coupled with its openness and

accessibility. People who were digitally inclined saw in it opportunities to hedge against the devaluation of the naira and the constant economic decline. Digital currency became the hub of success and joy among Nigerians who believe in change by discarding the old order. Many saw the idea of the digital currency as one of the greatest things that have ever happened to them.

Nigerian Traditional Banking and Crypto Currency

The emergence and rise of digital currency globally and its popularity have raised concerns and fears among traditional banking institutions in Nigeria. While the banks fear its potential implications and possible consequences on its institution, the common Nigerians saw it as a welcome development.

There are reasons for the fear and potential implication of this new economy on traditional banking. While the traditional banking is centralized and is an intermediary, the crypto currency is based on blockchain technology and operates on a decentralized network system that eliminates the need for intermediaries like financial institutions such as banks. With the elimination of intermediaries, the role of banks and its relevance will be reduced in the financial ecosystem. The implication from the foregoing is that banks will lose their control over the monetary system as against crypto currencies that are decentralized and outside the influence of the central banks. The banks fears are that with Crypto currency, they may not be able to regulate financial transactions or control money laundry.

Furthermore, the cause of concern by the Nigerian traditional banking sector is the privacy and risks associated with Crypto currencies. They feel that due to the decentralized nature of the blockchain technology, they may be susceptible to hacking by fraudsters. They believe that they have more standardized security measures as against the potential risk of the blockchain technology. With these perception, in 2021, despite critics against the fears of the CBN, they gave directive to banks to close accounts of persons or entities involved in Crypto currency transactions [2].

However, the ordinary Nigerian does not see the traditional banking as having established security system. Reasons are that most customers in their various banks experience fraudulent deductions from their accounts daily either as SMS charges, VAT, ATM maintenance whether they have functional ATM cards or not. Transaction charges are deducted arbitrary in small amounts almost from all accounts on daily bases whether there were transactions or not. The amounts maybe so small that the customer may due to the small amount find it unreasonable to spend transportation money for such enquiry. Bank frauds appear to be more frustrating than the hacking associated with crypto due to the carelessness of the crypto enthusiasts.

In addition, due to price fluctuations and volatility of the crypto currencies, the banks fear that it will affect their balance sheet and financial stability. They fear applying crypto or blockchain technology into the banking sector. However, they are aware of the efficiency the blockchain will provide in the banking sector and cost reduction in the financial sector. Taking cognizance of the efficiency of the blockchain technology, the fears by the traditional banking sector are unfounded.

The Rise of Crypto Conscious Generation in Nigeria

The traditional banking system in Nigeria has been characterized by various anomalies. Among these anomalies are arbitrary deductions of customers' funds without explanation. Decisions are taken that suddenly create cash scarcity in the country. Automated Teller Machines (ATM) frauds and Sim Card manipulations that lead to fraudulent deductions change of currency note at short notice causing currency scarcity. Inflation that grows from year to year without solution. These and others have made the naira almost worthless in the international market. With these few abnormalities, the more digitally inclined Nigerians preferred the blockchain technology to the traditional banking system influenced by bad politicians.

The new generations of youths having lost hope in the government of the day and the economic downturn, now preferred crypto currencies to the traditional banks. Earnings in crypto are in various coins but standardized by the dollar.

On salaries for those who wish to work remotely, “the average crypto salary (globally) is \$89.109 dollars per year” [3]. This is based on anonymous submissions by crypto website users. With these, a new crypto conscious generation was born and it grew like wide fire.

The emergence of crypto or the digital currency as observed by the younger generation came as a welcome technology to free many from the grips of traditional banking system of Nigeria. Firstly, most businessmen and women due to the frustrating deductions both legally and illegally made on their accounts migrated most of their transactions to digital banking Apps in Nigeria such as Moniepoint, Palmpay, Opay etc. These mobile or digital banking institutions charge very low commissions on transactions and have no illegal deductions as observed from the traditional banks. Many of these digital banks give soft loans with very little commissions as against the traditional banks with hidden charges and arbitrary policy changes that affect those who have taken loans.

With the changing market, these digital banks are uprooting the traditional branch-based banking systems and pushing the financial industry toward more agility and competitiveness. The growth of digital banking in Nigeria is due to its counter measure against the frequency of fraud and money laundering [4]. Most crypto enthusiasts utilize these banks for their “P2P” transactions. Among the best of these digital banks is Kuda, this digital bank appeared to have salvaged many crypto enthusiasts when CBN clamped on banks.

In addition to reasons why the new generation of youths find crypto currency transaction safe is that there are no fraudulent calls claiming to come from banks which most times assist the fraudsters to get vital information from customers that leads to deductions from their account. Nigerians have observed

that most bank frauds are executed with the aid of bank staff. This is not the case with crypto currency because; every individual has a unique wallet and secret keys exclusive to the owner of the wallet.

One major advantage the crypto currencies have over traditional bank is that it offers an advanced cryptographic secure technique that protects transactions and the identity of users. This is not the case with traditional banking where personal information can be stolen even by the aid of some fraudulent bankers or by special Apps developed to track personal bank details.

In crypto currency, all you need that makes it easy is ability to connect to the internet with your device and access clients globally to do your transaction. In addition to the global accessibility is that it is fast and borderless. You do not need the traditional ATM card or try to find out if it is Master card or visa card or if the banks in question allow access to transact internationally.

Crypto currency transactions have low “gas fee” (commissions) that are charged and it is applicable to all transactions unlike the traditional banking system with sometimes outrageous high fees for international transactions. Thus, crypto currency is cost effective, fast and efficient.

The Blockchain technology is transparent coupled with immutable records of all transactions; this invariably prevents fraud and maximizes trust in the financial system. To cap this up, the individual has full control over his funds that are kept in a secure wallet accessible only to him without relying on an intermediary.

Nigerians are regarded as the highest adopters of the P2P currency transactions in the world and ranks as the world's second largest Bitcoin traders after the United States of America ^[5]. To cap this, the worldwide Google trend data for Bitcoin states that "Nigeria ranks number one globally in search interest for Bitcoin related topics ^[6].

Nigeria is Africa's largest crypto economy, receiving the highest crypto currency value in 2022 and 2023. It is on record by the Blockchain Analysis firm chain-analysis that in rankings, India leads the way in crypto adoption while Nigeria, Vietnam and the Philippines are close behind ^[7].

The rise of the crypto conscious generation was not limited to ordinary Nigerians who felt obsessed by the nature of the economy. The enlightened and well educated former vice-president of Nigeria Prof. Yemi Osibanjo, spoke against the outright ban of the crypto currency in 2021 and called for a "knowledge-based regulation of the crypto ^[8]. He opined that crypto currencies must be regulated and not prohibited.

Despite all advices by knowledgeable individuals on the emerging trend of the digital currency, the Central Bank of Nigeria fired back at critics and those inclined to crypto by stating that there was no going back on crypto currency ban. It stated further that it was "determined to protect the country's financial system from activities of fraudsters and speculators ^[9].

Ironically, time has shown that the fraudsters are in the banking system. Almost all personal information leaked to criminals are associated with the banking officials, thus, from the least to greatest topmost echelon of the traditional banking sector, none can be fully trusted. An example is the headline "Probe panel accuses Emefiele, CBN officials of N22.7tr - ways and means fraud". Godwin Emefiele, former governor of the Central Bank of Nigeria (CBN), has been linked to a "fraud" case involving the ways and means ^[10].

These few examples of experiences by Nigerians made the youths and meaningful citizens lost hope on the traditional banking system. They observed that no measure applied by the banking have improved the economy or aided the masses. Loans from banks are replete with kickbacks and policy changes to the detriment of the masses. Hence, the emergence of the crypto currency that guarantees security of your funds despite its volatility, it is preferred as against the traditional banks.

The Psycho-Social Dimension of Crypto Currency Adoption in Nigeria

The rush into crypto currency by the younger generation and enlightened elderly ones didn't come by chance or just by the need for a change. There are remote causes for this paradigm shift from the traditional banking to the Blockchain technology. One of the major matrix is frustration over the activities going on in the economy and political structure in Nigeria. Nepotism, tribalism, embezzlement and glaring fraud that even the legal system cannot handle. There appears to be no hope of social reconstruction.

Poverty in Nigeria is a product of the mismanagement of the wonderful resources of Nigeria. The constant struggle to meet basic needs and lack of personal development contributed to anxiety, depression, stress and the feeling of helplessness.

Many due to poverty couldn't have access to education, healthcare and social amenities. Poverty creates marginalization and contributes to increased crime rates, drug abuse and social unrest. Kidnapping became a business and was prevalent. Several reasons adduce to this as has been stated above, unemployment, inequitable distribution of development projects, and inordinate amassment of wealth and looting of public funds by public office holders ^[11].

The Nigerian social system has made it that there is no equal opportunities to thrive and contribute to the nation's development due to this nepotism, tribalism and the concept of federal character that has robbed the best brains in favour of the less intelligent or uneducated utilized as against the qualified.

The youths who as children thought they would be "leaders of tomorrow" have seen that political leadership has been stolen from the masses and controlled by few bourgeoisies and political despots, including those who feel that leadership; finance and economy are their family's inheritance. The only hope to be free from those who own the traditional banking system was to rely on the decentralized digital system. A system that will not be controlled by the economic and political bigwigs who decides what takes place in Nigeria.

The knowledge of crypto currency does not need university education, no special skills but simply ability to use your smart phones and internet. A total shift to Blockchain technology was necessitated by the need to survive in a depressed economy. The need not to wait for government assistance which never came or if it were to come, it will be diverted by those who were given the mandate to distribute it.

Recommendation and Conclusion

Having had a brief knowledge of the philosophy behind crypto currency and the phobia the traditional banking system in Nigeria had on it, one way wish to ask, what is the way forward bearing in mind that crypto currency is now a global phenomenon.

What possible recommendation should we proffer so that we can have a smooth crypto currency operation in Nigeria? We have noted according to the words of the ancient philosopher Heraclitus, that reality is change and nothing is permanent, constant or stable in the world ^[12]. According to Abdulrahman Abdulraheem, after all, laws are made for the convenience of humans and for orderliness and growth of society and this is why even serious countries amend their constitutions to reflect a change in the dynamics of society, Nigeria cannot be an exception ^[13].

The central bank of Nigeria began to gradually embrace crypto when in 2021 it introduced the eNaira and launched it. The eNaira is a digital currency equivalent to the physical cash. However, the crypto community in Nigeria was suspicious of it, thus they barely bordered about it. It is no more new that by December 2023 the Nigerian central bank lifted the ban on crypto trading.

With this new development, the CBN should regulate the framework for crypto currency and address optimally issues of fraud and consumer protection. Secondly, they can educate the public through seminars, workshops or through the electronic or social media for better comprehension of the Blockchain technology. Furthermore, the CBN can improve on surveillance in order to detect activities that may be fraudulent. In addition, they could collaborate with financial institutions for the integration

of crypto currencies in all systems of the economy. To cap that, by a good co-operation with international community and other regulatory bodies, Nigeria can successfully utilize the Blockchain technology optimally and improve its economy.

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