CHALLENGES AND ADOPTION OF BLOCKCHAIN TECHNOLOGY IN NIGERIA

Dr. Marshal Iwedi[1] **Dr. James Daniel** Egileoniso[2]

[12]Department of Banking and Finance,
Faculty of Management Sciences,
Rivers State University, Nkpolu-Oroworukwo, Port Harcourt.
*Corresponding Author's Email***:** marshal.iwedi@ust.edu.ng

Abstract

Blockchain technology has emerged as a transformative innovation with the potential to reshape various sectors of the global economy. While its applications are diverse and promising, its adoption in Nigeria, like in many other developing nations, faces a unique set of challenges. This study explores the transformative potential of blockchain technology in Nigeria, Africa's largest economy. The technology's core features, including decentralization, immutability, and transparency, open avenues for innovative solutions across various sectors. Specifically, in the financial industry, blockchain facilitates secure peer-to-peer transactions, reducing reliance on traditional intermediaries like banks. Additionally, it enhances transparency and security in financial transactions and cross-border payments. In supply chain management, blockchain establishes immutable records, mitigating fraud and errors. Nigeria, with a substantial unbanked population, stands to benefit from decentralized financial systems enabled by blockchain. Furthermore, it has the potential to streamline remittance processes, reducing costs and transaction times. The study highlights that blockchain can revolutionize government operations, enhancing efficiency, transparency, and security in processes such as voting and procurement. While acknowledging the technology's potential, challenges such as awareness, regulatory frameworks, and technical infrastructure are identified. Recommendations for adoption include widespread education, robust regulatory frameworks, infrastructure investment, and industry collaboration. By addressing these challenges, Nigeria can position itself as a frontrunner in blockchain innovation, utilizing the technology to overcome existing hurdles and drive sustainable development.

Keywords: Blockchain Adoption, Nigeria Blockchain Landscape, Blockchain Challenges, Regulatory Framework, Infrastructure Constraints, Blockchain Security

Introduction

Blockchain technology, the underlying technology of cryptocurrencies like Bitcoin, has garnered significant attention globally for its potential to disrupt various industries. Blockchain technology can revolutionize the financial industry by enabling secure and efficient peer-to-peer transactions without the need for intermediaries such as banks. It can also facilitate cross-border payments, reduce fraud, and provide greater transparency in financial transactions (Chen & Bellavitis, 2019). According to Dutta, Choi, Somani, and Butala (2020), blockchain holds the capability to revolutionize supply chain management through the establishment of clear, unchangeable records detailing the journey and source of goods. This can help reduce fraud, counterfeiting, and errors in the supply chain. Nigeria as an economy has a large population, and a significant portion of it is unbanked or underbanked.

In their study, Iwedi, Kocha, Edeh & Turakpe, (2023) reveal that approximately 64 million out of Nigeria's nearly 200 million populations are still without a bank account or access to a financial institution or mobile money platform. Their findings indicate that Nigeria is one of seven countries globally where half of the world's population lacks banking services or financial inclusion. That is to say that block chain technology can enable the creation of decentralized financial systems, allowing people to access and manage their finances without relying on traditional banks (Abdulhakeem, & Hu, 2021).

Rella (2019) argues that Nigeria benefits significantly from remittances sent by the Nigerian diaspora. Utilizing blockchain-based systems has the potential to streamline the remittance process, leading to potential reductions in both costs and transaction times. According to Rathee and Singh (2021), blockchain offers a secure and tamper-proof method for handling identities, which holds particular significance in countries like Nigeria, where identity fraud poses a substantial concern. Blockchain technology holds the potential to enhance government operations by streamlining processes, cutting costs, and elevating trust and accountability. Its anticipated benefits in government encompass heightened efficacy, openness, and security across functions like voting, procurement, and citizen services (Cagigas Clifton, Diaz-Fuentes & Fernández-Gutiérrez, 2021). To illustrate, blockchain could facilitate secure and transparent e-voting systems, mitigating the threat of fraudulent activities and bolstering voter confidence (Kshetri & Voas, 2018). Moreover, it has the capacity to enable efficient and transparent monitoring of procurement procedures, thus reducing opportunities for corruption and enhancing overall responsibility. Nevertheless, the sometimes inflated expectations surrounding blockchain technology have led to the recognition that its integration into government operations is not without significant challenges (Park et al., Citation 2021). Anticipated expenses and risks linked with implementing blockchain in government encompass the substantial initial investment, the need for specialized technical expertise, and potential hurdles related to scalability and interoperability.

It is in the light of the above that this paper provides a comprehensive overview of the potential impact of blockchain technology across various sectors, emphasizing its transformative potential in finance, supply chain management, and government operations. It highlights the specific challenges and opportunities faced by Nigeria, particularly in addressing financial inclusion and streamlining remittances. The discussion underscores the importance of blockchain in enhancing transparency, security, and accountability in government functions, while acknowledging the complexities and investment required for successful integration. Ultimately, the text sets the stage for a detailed exploration of blockchain's role in Nigeria's economic landscape, presenting a nuanced understanding of both its promise and the hurdles ahead.

Blockchain technology is a revolutionary concept that has gained significant attention in recent years. It is a decentralized system that allows for the secure and transparent recording of transactions across multiple computers. At its core, blockchain technology is a digital ledger that enables the creation of a permanent and tamper-proof record of transactions. The technology was initially introduced to support cryptocurrencies like Bitcoin. However, its potential applications extend far beyond the realm of digital currencies. Blockchain technology has the potential to transform various industries, including finance, supply chain, healthcare, and more. The underlying principle of blockchain is the distribution of data across multiple computers, known as nodes. Each node maintains a copy of the ledger, and any changes made to the ledger are verified by consensus among the nodes. This decentralized nature ensures that no single entity has control over the data, enhancing the security and integrity of the system.

Current State of Blockchain Technology in Nigeria

Nigeria, being Africa's largest economy, has shown significant interest in blockchain technology. The country recognizes the potential of this technology to drive innovation, improve transparency, and tackle challenges such as corruption and fraud. As a result, various organizations, both in the public and private sectors, have embarked on blockchain initiatives. One notable example is the Nigerian Inter-Bank Settlement System (NIBSS), which has explored the use of blockchain for identity management and transaction verification. The Central Bank of Nigeria has also expressed interest in leveraging blockchain technology to enhance the efficiency of payment systems and reduce transaction costs. Furthermore, several Nigerian startups have emerged in the blockchain space, focusing on areas such as remittances, supply chain management, and financial inclusion.

These startups are leveraging blockchain technology to address existing inefficiencies and provide novel solutions to long-standing problems.

Cryptocurrency trading and investments: Nigeria has witnessed a surge in cryptocurrency trading and investment, particularly among the youth population. Platforms like Binance and local exchanges facilitate the buying and selling of cryptocurrencies. Regulatory framework: The Nigerian government has expressed both curiosity and caution regarding blockchain and cryptocurrencies. There is a need for a clear and comprehensive regulatory framework.

Challenges to Blockchain Adoption in Nigeria

Despite the enthusiasm surrounding blockchain technology in Nigeria, several challenges hinder its widespread adoption. One of the primary challenges is the lack of awareness and understanding of the technology. Many individuals and organizations are still unfamiliar with blockchain and its potential benefits. This lack of knowledge poses a barrier to adoption, as people are hesitant to embrace something they do not fully comprehend. Educational initiatives and awareness campaigns are necessary to bridge this knowledge gap.

Another significant challenge is the regulatory environment. While Nigeria has shown interest in blockchain technology, there is still no comprehensive regulatory framework in place. A well-defined regulatory framework is needed to provide legal clarity and foster innovation while ensuring consumer protection and national security. Uncertainty regarding legal and regulatory compliance creates a sense of ambiguity for businesses looking to adopt blockchain solutions. Clear guidelines and regulations are necessary to foster a conducive environment for innovation and investment in the blockchain space. Additionally, the limited technical infrastructure in Nigeria poses a challenge to blockchain adoption. The technology requires a robust and reliable internet connection, which is not accessible to all parts of the country. Inadequate internet infrastructure hinders the seamless implementation and utilization of blockchain technology, limiting its reach and impact.

Opportunities and Potential Benefits

Despite the challenges, there are significant opportunities and potential benefits associated with the adoption of blockchain technology in Nigeria. One of the key advantages is the potential to improve transparency and reduce corruption. By leveraging blockchain, the government can create a transparent and immutable record of transactions, making it difficult for corrupt practices to go unnoticed. Blockchain technology also has the potential to revolutionize the financial sector in Nigeria. It can enhance financial inclusion by providing access to banking services for the unbanked population. Blockchain-based solutions can enable secure and low-cost remittances, facilitate microfinance, and streamline the lending process. These advancements can empower individuals and small businesses, contributing to economic growth and development.

Moreover, blockchain technology can play a crucial role in supply chain management. Nigeria, being a major exporter of agricultural products, can benefit from blockchain-based systems that enable traceability and provenance verification. This can enhance product quality, reduce fraud, and open up new export opportunities for Nigerian producers.

Strategies for Adoption

Education and Awareness: Launch nationwide awareness campaigns and educational programs targeting various stakeholders. Regulatory Framework which encourages the collaboration with international organizations and experts to develop a balanced regulatory framework. Infrastructure Investment allows government and private sector collaboration to improve technological

infrastructure in underserved areas. Another strategy is Industry Collaboration which encourages partnerships between blockchain startups, traditional industries, and government agencies to pilot blockchain solutions.

Conclusion

Blockchain technology holds immense potential for Nigeria. It has the power to transform various sectors, improve transparency, and drive economic growth. However, several challenges need to be addressed for widespread adoption to occur. These challenges include awareness and understanding, regulatory frameworks, and technical infrastructure. To fully harness the benefits of blockchain technology, it is crucial for stakeholders, including the government, businesses, and individuals, to collaborate and invest in blockchain education and infrastructure. By doing so, Nigeria can position itself as a leader in blockchain innovation and leverage this technology to overcome existing challenges and drive sustainable development.

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