

The eNaira - Opportunities and challenges

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Abstract: Emerging technology activities are evolving and turning our world into a digital world. The digital world offers many digital inventions such as digital currency, smart devices, social media, digital devices, and the list continues. Digital or electronic currency initiatives such as eNaira are fast becoming a norm across countries as means of payment for goods and services. But many are concerned and worried about eNaira, lack of understanding of the opportunities and challenges of eNaira, and limited academic literature. eNaira is a digital currency or electronic currency which is accessible through the Internet without physical print. The introduced eNaira was rolled out on 25 October 2021, and the announcement gained a mixed reaction from the public as a result of the opportunities and challenges that come with it. This paper deployed a literature review approach to provide a comprehensive analysis of eNaira, the opportunities and challenges of eNaira for Nigerians and businesses (individuals and organizations). The paper found that eNaira presents some opportunities for the central bank of Nigeria (CBN) (apex bank) and Nigerians (customers). It assists Nigerians (customers) to access their money quickly, and CBN can monitor and control transactions and many more. Also, the study discovered that eNaira faces trust and many other challenges, but the existing challenges must be addressed for the opportunities to be derived. This paper contributes to academic knowledge by providing comprehensive information on eNaira, and discovering the opportunities and challenges of eNaira.

Keywords: Crypto, Cryptocurrencies, Cryptocurrency, Digital currency, eNaira, Nigeria

1. Introduction

eNaira can be called electronic currency (e-currency) or digital money, or cybercash for Internet transactions. African countries are not left out in adopting e-currency for their citizens to trade/do business locally and internationally. However, some the countries like India, Ghana, South Africa, China, Nigeria, and many more have opted for homegrown e-currency (Abraham, 2021). Through its Central Bank of Nigeria (CBN), the Federal Government of Nigeria has introduced the rollout of its homegrown e-currency called eNaira. The announcement of eNaira came as a surprise to many Nigerians because of the government's position on

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cryptocurrency. In February 2021, CBN banned the transaction of cryptocurrencies in Nigeria, citing reasons such as unregulated (uncontrolled), high volatile, susceptible, and discontinuity nature of cryptocurrency and the funding of #EndSars through the use of crypto (Umoru, 2021). Crypto is regarded as a digital currency that facilitates Internet (online) transactions. However, the ban saw traders used alternative means to continue their crypto trading underground (illicit trading) (Abraham, 2021). Countries such as Lesotho, Kuwait, Oman, and Macau have banned cryptocurrencies (Said, 2019). Cryptocurrency is a blockchain currency that facilitates easy payment with a peer-to-peer process. According to Abraham (2021), Nigeria is ranked second behind the United States of America in countries that are trading in cryptocurrency. According to Onukwue (2021), the introduction of eNaira by CBN aimed to discourage cryptocurrency dominance among the youth. However, many Nigerians are wondering about the difference between eNaira and other cryptocurrencies, and many are asking:

- Is Nigeria launching eNaira as a cryptocurrency? No. According to Abiodun (2021), CBN is not offering cryptocurrency through eNaira. They are not the same.
- Will Nigeria lift the ban on crypto trading? The introduction of eNaira is not an indication to lift the ban on cryptocurrency in the country.
- Will the launch of eNaira replace the traditional Naira notes? No, both will be operated together to facilitate transactions. However, eNaira is the digital version of Naira.
- How secured will eNaira be? At this point, the security details are not precise. But security remains the talking point of all digital currencies.
- What is the importance of eNaira? According to Olisah (2021) and Abiodun (2021), eNaira will provide and facilitate a cross-border transaction, improve “financial inclusion, monetary policy effectiveness, improved payment efficiency, revenue tax collection, remittance improvement, and targeted social interventions”. These questions and many more beg for additional answers as eNaira continues to operate.

Against the questions (confusions) mentioned above. The Nigerian and business community does not understand the challenges and opportunities that come with eNaira. This paper aims to provide a comprehensive understanding of eNaira, the opportunities and challenges for Nigerians and businesses.

2. Overview of electronic or digital currency

Fiat currency is issued by the government through its national bank (apex bank) as fiat money (for example, paper notes), while electronic money (e-money) or digital currency is the same currency digitally (fiat digital currency) (Ozili, 2021; Arias & Sánchez, 2016). Digital currency operates like fiat currency in the payment of goods and services over the Internet. Over the years, digital or electronic currencies like Bitcoin, Ethereum, Ripple Price, Dogecoin, and many others have increased in popularity and acceptance (Abiodun, 2021). Originally, Bitcoin was initiated in 2008 and began operation in 2009 by Satoshi Nakamoto (Didenko & Buckley, 2018; Bissessar, 2016). Since then, many others have emerged, and the acceptance has kept growing locally and internationally. The growth and large acceptance of cryptocurrencies are attributed to the success stories of those who made a huge amount of money within a short and long period on their investment.

Furthermore, the success of cryptocurrencies is seen in its decentralized nature, which means that anyone can participate (trade) from any country without exclusion. Central banks (apex banks) and governments worldwide are busy monitoring the advancement of digital currencies and their challenges (Said, 2019). Their monitoring is resulting in many central banks introducing digital currencies like in the case of eNaira. eNaira is a digital currency operated by the Nigerian government through its CBN. Governments run digital currency through central bank digital currencies (CBDCs) in making Internet transactions easier. Nigeria is the first African to introduce a digital currency called eNaira (Ozili, 2021). According to Abiodun (2021), CBDCs are the digital currencies operated by the government to offer digital currencies, for example, eNaira. However,

these digital currencies, including eNaira, have some opportunities and challenges for the apex bank and the customers.

3. The operations and characterization of eNaira

Every digital or electronic currency (eNaira) presents opportunities and challenges for traders, especially the informal sectors. eNaira is a digital currency equivalent to fiat Naira (physical or printed Naira notes). Again, eNaira is Naira in a digital form that can only be used on the Internet, without physical notes. eNaira is issued by CBN through the backing of the Federal Government of Nigeria. According to Timi-Koleolu and Aroh (2021), customers (Nigerians) can purchase eNaira through Financial Institutions (FI) and transfer to their e-wallets (eNaira Speed Wallet) account. It means that FI can convert normal money in the customer's bank account into an eNaira wallet, allowing customers to make online transactions easier for individuals and entrepreneurs. Most entrepreneurs in Nigeria are in the informal (unstructured) economy sector, which made cryptocurrency thrive because crypto is unregulated (unstructured). In the same vein, the eNaira can succeed amongst the informal sector if the implementation is unstructured. According to Adiodun (2021) and Olisah (2021), eNaira has some great objectives: increasing financial inclusion, improving revenue and tax collection, improving payment efficiency, improving social interventions, and many others. These objectives are untested in reality. However, CBN, tackling different challenges presented below (eNaira challenges) is key in the implementation and operation of eNaira. Though eNaira will operate like the traditional Naira notes, the value and supported by Naira (Abiodun, 2021). Moreover, the eNaira wallet will be operated in four tiers (Timi-Koleolu & Aroh, 2021; eNaira, n.d):

- Tier 0 (Zero) – Customers without any bank account and no verified National Identification Number (NIN), the transaction will be N20,000 (limit in transfer) and N120,000 (balance limit).
- Tier 1 (One) – Customers without any bank account, the transaction will be N300,000 (balance limit) and N50,000 (limit in transfer). The requirements are for customers without bank account need but a phone number and verified National Identification Number (NIN) (Know Your Customer (KYC) requirement).
- Tier 2 (Two) – Customers within minimum spending, the transaction will be N500,000 (balance limit), N200,000 (limit in transfer) and bank account, phone number, and Bank Verification Number (BVN) (KYC requirement) required.
- Tier 3 (Three) – Regular spending customers, the transaction will be N5,000,000 (balance limit), N1,000,000 (limit in transfer), and BVN and bank account (KYC requirement) required.

However, a Merchant account holder will have no limit (balance limit), but N1,000,000 (limit in transfer), and anti-money laundering, all KYC requirements, and CBN counterfeit terrorism regulation (KYC requirement).

4. Methodology

There are different research methodologies (methods), and literature review is among them (Paré & Kitsiou, 2017). In this study, a literature review aims to **a)** identify existing information on the topic under investigation; **b)** show the level of any new trends or gap; **c)** provide empirical results in framing research topic and evident-based support; **d)** design theories, models, or frameworks; and **e)** identify more research title questions for research (investigation) (Paré & Kitsiou, 2017; Paré, Trudel, Jaana & Kitsiou, 2015). According to Snyder (2019), a literature review is becoming popular among researchers as a research methodology (method). This paper deployed a literature review methodology by looking at articles of interest in the research topic. The article's keywords were drawn from ResearchGate, Google Scholars, and relevant and credible sources. The keywords used in search of literature are eNaira, digital currency, and many more. However, eNaira is a new keyword, and little is known in the literature, and it wasn't easy to search literature

in this regard. The searched literature provided deeper insight into the aim of the topic, which enabled the research to write the paper successfully.

5. The eNaira opportunities

There are thousands of digital (electronic) currencies in the form of cryptocurrencies today (Sigurdsson, Giaretta & Dragoni, 2018). Every digital or electronic currency brings some form of opportunities for traders. The success, sustainability, and opportunities of eNaira are yet to be proven. eNaira presents some opportunities such as:

- **Quick maintenance:** Customers will be able to maintain their e-wallet than maintenance by the bank in the case of digital banking (Timi-Koleolu & Aroh, 2021). Customers can transact easily without any middle-man.
- **Cost of cash (cost-effectiveness):** eNaira will reduce CBN's cost of producing and printing coins and paper notes. According to Said (2019), digital currency reduces the cost of producing, printing and reprinting, and distributing currency.
- **Financial inclusion:** It allows unbanked and informal sectors to engage in the financial class.
- **Monitored and transparent:** Unlike other cryptocurrencies, all transactions through eNaira will be monitored by the CBN (Abiodun, 2021). The CBN will be able to understand the flow of currency among different stakeholders.
- **Regulated:** When compared with other digital currencies, eNaira will be regulated by CBN.
- **No physical cash or money:** It eliminates physical transactions and carrying of cash, as in the case of traditional Naira.
- **Secured against loss:** eNaira will be guided against volatility, as in Bitcoin and other digital currencies. It means that the respective banks secure customers' money.
- **Easy access to money:** eNaira will make it efficient for the populace to do a transaction online seamlessly.

6. eNaira challenges

As the world continues to welcome the trading of cryptocurrencies. The introduced eNaira remains unclear compared with other cryptocurrencies like Ethereum, Bitcoin, and many others. eNaira can run on Blockchain, but it is not a cryptocurrency. However, it might be similar to cryptocurrencies (Abiodun, 2021). Blockchain provides cryptocurrency platforms that enable decentralized digital crypto, such as Bitcoin and others in the digital world. Bitcoin and other cryptocurrencies are not the same as eNaira. However, eNaira will likely face challenges like:

- **Lack of trust:** Many Nigerians believe that eNaira was a devised way for the government to monitor the financial activities of its populace (Abraham, 2021). Lack of trust will affect the success of the eNaira.
- **Static value:** If eNaira loses its value, the citizen's confidence will drop, which may affect the success rate owing to the fact that many will be asking about the floating rate of the currency.
- **Quick return:** Nigerians like quick return on investment. If the eNaira lacks "sow and reap quick" syndrome, Nigerians might likely not adopt it. According to Abraham (2021), cryptocurrencies can double investments within a short period, unlike eNaira.
- **Growth:** eNaira might not grow like other digital currencies like Bitcoin, Ethereum, and others (Adiodun, 2021).
- **Inflation:** The value of eNaira will be affected by inflation like the traditional Naira.

- **Constraints:** Small business and informal sectors may be excluded because of lack of electricity (power), access to the Internet, and many more in the community.
- **Knowledge and education (awareness):** The knowledge and education in the villages and communities might hinder the informal sector and individuals from participating. eNaira will be challenged for lack of knowledge at the grassroots.
- **Digital divide:** eNaira can be done on a technological device, then those without access to such gadgets will be left out.
- **Security and privacy:** The two remain a barrier for people to do business online or any financial transaction. This will affect the acceptance of eNaira in society. Also, data theft, and cyber-attack might increase (Ozili, 2021).
- **Volatility:** The Nigerian currency volatility will affect the eNaira (Timi-Koleolu & Aroh, 2021).
- **Digital illiteracy:** eNaira might be affected by digital illiteracy (Ozili, 2021) in excluding those without digital ability and knowledge

7. Recommendations

eNaira presents opportunities and challenges for the Nigerian government, the CBN, the financial sectors, individuals, and other stakeholders. The challenges highlighted in the proceeding paragraph are critical determinants in the success of eNaira. This paper recommends that:

- The Nigerian government, through its CBN, should build among the populace to believe in the idea.
- The success of digital-initiated currency in Nigeria should be driven by an agent different from the conventional CBN banking formation (Abraham, 2021).
- The success of eNaira lies in the elimination of the challenges mentioned above and other emerging ones.
- The CBN should work with FinTechs in Nigeria and other grassroots agents to drive this eNaira initiative to the people. Also,
- The CBN should be flexible in formulating and regulating eNaira and willing to adapt to change in the future.

8. Conclusion

Digital currency is a disruptive technological initiative with the ability to revolutionize the financial sector and commerce. The Nigerian government and the apex bank (the CBN) are tapping into the huge opportunities in delivering efficient financial services to the populace through the introduction of eNaira. However, the success of eNaira lies on CBN, FinTechs, and financial sectors to do the basics and carry the populace along in confronting their challenges. The challenges mentioned above can hinder the potential of eNaira to thrive after its implementation in October 2021 and as we advance. This paper analyzed the digital or electronic currency, eNaira, and the opportunities and challenges in the implementation of eNaira. However, in the future, more studies are necessary after the October 2021 eNaira implementation.

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