

# Implications of Nigeria's Cryptocurrency Regulations on her Trade Relations with the United States

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## Abstract

*This study examined the influence of Nigeria's cryptocurrency regulations on her trade relations with the United States trade from 2020 to 2024. Harmonized regulatory frameworks foster cheaper, faster, and more secure cross-border digital transactions, enhance capital mobility, and improve stakeholder confidence. However, persistent regulatory ambiguities in Nigeria's cryptocurrency environment have generated concern regarding their implications for economic exchange with the United States. The study therefore determined how the absence of a harmonized cryptocurrency regulatory framework in Nigeria constrained cheaper and more efficient trade-related transactions with the United States; how weaknesses in Nigeria's anti-money laundering (AML) system affected cryptocapital inflows from the United States; and the extent to which limited institutional literacy support for Nigerian cryptocurrency traders influenced trade efficiency between both countries. Anchored on the Diffusion of Innovation Theory, the study adopted an ex post facto research design, relying on documentary sources and content analysis to interrogate the variables. Findings revealed that Nigeria's lack of harmonized cryptocurrency regulation impeded cheaper and more streamlined trade-related transactions with the United States. The study also found that lack of robust AML frameworks discouraged cryptocapital inflows from the United States. In light of these findings, the study recommended the need for Nigeria to develop and implement a harmonized national cryptocurrency regulatory framework and strengthen AML compliance systems to align with global best practices.*

**Keywords:** Cryptocurrency, regulatory framework, trade relations, digital economy, Nigeria.

## 1.0 Introduction

A digital economy with strong digital currency trends and government regulation is critical for economic growth and development (Agu, 2020). Cryptocurrencies such as Bitcoin and Ethereum, have transformed global finance by enabling decentralized, peer-to-peer (P2P) transactions and bypassing traditional financial intermediaries. The rapid rise of cryptocurrencies has reshaped global financial systems, offering decentralized, cost-effective, and efficient alternatives to traditional banking for cross-border transactions. This opportunity has positioned Nigeria as a leading hub for cryptocurrency activity in Africa, driven by the need to circumvent limitations in traditional financial systems, such as high remittance costs, currency volatility, and restricted access to banking services (World Bank, 2023; Agu, 2020).

In Nigeria, a country with a youthful, tech-savvy population and a vibrant digital economy, cryptocurrency adoption has surged, with transaction volumes reaching \$56.7 billion between July 2022 and June 2023, equivalent to 12% of Nigeria's GDP (Chainalysis, 2023).

However, the country's regulatory approach to cryptocurrencies has been inconsistent, oscillating between restrictive bans and partial liberalization, creating significant challenges for its international trade relations, particularly with the United States, a key trading partner and global leader in cryptocurrency innovation (Salami, 2024). This regulatory flux has raised critical questions about its impact on trade related transactions with the United States. The regulatory inconsistency is feared to have created uncertainty and may have deterred foreign investors and limited the potential of cryptocurrencies to enhance trade efficiency between Nigeria and the United States.

The lack of a harmonized regulatory framework may have limited the potential of cryptocurrencies to enhance Nigeria-USA trade efficiency and economic integration. Nigeria's regulatory approach to cryptocurrencies has been turbulent, evolving from restrictive measures to cautious integration with anticipated significant implications for its international trade relations with the United States, a key trading partner and hub for global cryptocurrency platforms like Binance and Coinbase.

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The divergence between the CBN's restrictive policies and the SEC's progressive framework appears to have also created regulatory fragmentation, leading to uncertainty for investors and traders (Ukwueze, 2021). This lack of a cohesive regulatory framework seems to have undermined Nigeria's ability to fully leverage cryptocurrencies for international trade, particularly with the United States, where clear regulations have fostered a robust fintech ecosystem (Mills, 2024).

Nigeria's regulatory shifts on its trade relations with the United States is particularly worrisome given the role of cryptocurrencies in facilitating cross-border payments and investments. Even though cryptocurrencies have enabled Small and Medium-sized Enterprises (SMEs) in Nigeria to engage in global trade, particularly in agricultural exports, with transaction volumes rising 9% year-on-year to \$56.7 billion by June 2023 (Chainalysis, cited in Coinpedia, 2024) and reduced the costs and delays associated with traditional banking, making them attractive for trade with the U.S., a major market for Nigerian goods and services, the 2021 CBN ban may have disrupted formal trade channels, which may have forced traders to rely on unregulated P2P platforms, which might have also enabled exposure to fraud and cybercrime, similar to the \$50 million Bitcoin Ponzi scheme in 2017. Regardless of the fact that the subsequent 2023 VASP Guidelines restored banking support, the earlier disruption may have highlighted the risks of regulatory inconsistency in maintaining trade legitimacy and attracting U.S.-based partners.

The lack of harmonized regulations between the CBN and SEC continues to create uncertainty and this could have deterred U.S. trade partners and limited Nigeria's integration into global trade networks. Additionally, the limited financial literacy among Nigerian crypto users has potential to exacerbate vulnerabilities to scams and cybercrime, which could further complicate the trade relations as many users lack adequate knowledge of cryptocurrency risks, increasing susceptibility to fraudulent schemes (Onyekwere et al., 2023). This issue undermines investor confidence and poses challenges for U.S.-based firms seeking to operate in Nigeria's fintech market. The problem of inconsistent and fragmented regulatory framework governing cryptocurrencies in Nigeria may have disrupted formal trade channels, deterred foreign investment, and strained economic diplomacy with the United States. This study therefore seeks to investigate the impact of Nigeria's cryptocurrency regulations on its trade relations with the United States, focusing on lack of harmonized cryptocurrency regulation, lack of robust anti-money laundering frameworks and lack of literacy support for Nigeria's crypto traders and their impacts on cheaper trade transaction, cryptocapital flows and efficient trade relations with the USA within the period under review. By examining these issues, the study aims to show the need for a harmonized regulatory framework to strengthen Nigeria-USA trade relations and position Nigeria as a competitive player in the global digital economy.

## 1.1 Research Questions

The following questions were formulated to guide this study:

1. How has Nigeria's lack of harmonized cryptocurrency regulation hampered cheaper trade-related transactions with the United States of America from 2020 to 2024?
2. In what ways has Nigeria's lack of robust anti-money laundering frameworks affected crypto-capital inflows from the United States of America from 2020 to 2024?
3. How has lack of literacy support for Nigeria's cryptocurrency traders affected efficient trade relations with the United States of America from 2020 to 2024?

## 2.0 Literature Review

### 2.1 Perspectives on Crypto-Currency

Cryptocurrency is a decentralized cash payment system or digital money that is built and secured with cryptography for security and anti-counterfeiting procedures, and is typically anonymous. Crypto currency is a digital derivative financial instrument that has all of the qualities of a financial instrument and is issued by a firm or a group of persons to attract financial resources to develop potential initiatives or purchase assets for capitalization (Schwarz, 2018). The crypto-asset serves as an instrument that ensures the identification of the crypto-asset owner and the fulfillment of the issuer's obligations to the crypto-asset holder. Crypto-currencies are private digital, de-nationalized, unreserved, floating, and convertible currencies.

Cryptocurrencies first appeared in public circulation in 2009, thanks to the pioneering efforts of an unknown inventor with the pseudonym Satoshi Nakamoto, who created Bitcoin as the first decentralized crypto-currency in 2008, based on peer-to-peer cash transactions using blockchain technology (Mandeng, 2018). Furthermore, bitcoin is characterized by a volatile tendency, which instills fear in investors and drives away economic agents. As a result, economic activity declines (Mackie, 2016). Then, bitcoin in most nations is not covered by the law, which can be exploited and severely hinder economic progress, especially in developing economies like Nigeria (Agu, 2020). This concern suggests that without government regulation of cryptocurrencies, the Nigerian economy may suffer from a loss of investment in the Nigerian capital market, financial industry, and investment activities. However, no research, particularly in Nigeria, has looked into the impact of bitcoin trading on Nigerian economic performance.

Cryptocurrency is a blockchain system characterized by decentralization, accountability, and immutability that digitalizes currency and employs encryption for internet transactions (Ameer & Othman, 2012). Cryptocurrency is a tool for supporting development in underdeveloped nations by increasing financial inclusion, improving fund transparency, and allowing people to overcome poverty (Nakamoto, 2014). Cryptocurrency offers significant benefits by overcoming a lack of social trust and improving access to financial services (Ammous, 2020).

Bitcoin, Ethereum, Litecoin, Dash, Ripple, Bitcoin Cash, Libra, Monero, and others are examples of cryptocurrencies (Agu, 2020). There are various advantages to cryptocurrency. First, cryptocurrency combines key traits that promote trust, such as accountability and transparency. It promotes confidence and free contact between counterparties. Second, governments cannot control the decentralization of cryptocurrency.

Cryptocurrency flows denote the transfer of digital assets across blockchain networks, characterized by pseudonymity, immutability, and global reach. Unlike traditional payments, these flows occur via distributed ledgers, eliminating intermediaries and enabling near-instant settlement (Fry, 2018). Literature identifies key drivers: supply-demand dynamics, where mining costs and search volumes influence pricing (Sapkota & Grobys, 2020; Kristoufek, 2013), and behavioural factors like investor sentiment amplifying volatility. A systematic review by Falkenberg et al. (2021) synthesizes 146 papers, revealing cryptocurrency trading's multidisciplinary nature from finance to AI with flows exhibiting multifractality and tail dependence (Wang et al., 2022). High-frequency data analysis shows spillovers to stocks, commodities, and forex, with regime shifts post-US-China trade war (Hou et al., 2022). Stablecoins like USDT dominate flows, pegged to fiat for stability, reducing currency risks in trade (Coin24, 2025).

### 2.1.1 Regulation of Crypto Currency in Nigeria

Though many Nigerian investors have invested in the cryptocurrency with the expectation of earning a large return in the future, its future remains uncertain. The Nigerian government, through the Central Bank of Nigeria and the Securities and Exchange Commission, has issued a series of warnings to its citizens about the potential consequences of investing in the cryptocurrency market or virtual currencies that are not insured by the government. The essence of the state as the final authority lies not only in the ability to enact laws or print money, but also in the government's ability to control such money, to serve as a last resort, and to assure the stability and validity of the currency.

The government's support of the use of cryptocurrency as a medium of trade contradicts the Chartalism monetary theory to the effect that money is considered legal tender since it is created by the government. The federal government has rather insisted that crypto-currencies are not legal cash in Nigeria, and that any bank or institution that transacts in such enterprises does so at its own risk. The government's notice also emphasized the risks of investing in an unregulated and volatile market. The Nigerian government made it plain that any citizen who invests in such currency does so at their own risk in the event of any loss. The cryptocurrency regulation in Nigeria highlights a tension between innovation and risk mitigation. Ahannaya et al. (2021) argue that the CBN's 2021 ban failed to curb crypto adoption, instead fueling P2P trading, with Bitcoin transaction volumes reaching \$400 million in the first half of 2022.

The SEC's 2022 Digital Assets Rules marked a shift toward regulation, defining virtual assets as securities and requiring Virtual Asset Service Providers (VASPs) to obtain licenses (Securities and Exchange Commission, 2022). The 2023 VASP Guidelines allowed banks to open accounts for licensed crypto businesses, signaling a more accommodative stance. However, Salami (2024) criticizes the lack of coordination between the CBN and SEC, which creates regulatory uncertainty.

### 2.1.2 International Trade

Trade is a repeated sequence of exchanges of goods through market transactions. It is referred to as international if it involves transactions beyond the boundaries of a sovereign political authority. Accordingly, Samuelson and Nordhaus (2002) see international trade as the system by which nations export and import goods, services, and capital. They identify three differences between domestic and international trade as: expanded trading opportunities, sovereign nations and exchange rates adding that these have important practical and economic consequences. The forces that lie behind international trade are that trade promotes specialization; and specialization increases productivity (Samuelson & Nordhaus, 2002).

In the simplest form, international trade means exchange of goods and services across international borders. In order to know what is happening in the course of international trade, governments keep track of the transactions among nations. The records of such transactions are made in the balance of payment accounts. International trade and balance of payment are therefore two important aspects in the relationship between nations. International trade has been and is today an economic force that has spurred commerce, promoted technology and growth, spread cultural patterns, stimulated exploration and colonization, and frequently fanned the flames of war. The 19th century was perhaps the important century for (primary commodity) export-led growth. Expansion of exports can lead to growth through stimulating technical change and investment, or by spilling demand over other sectors. Historically, the expansion of primary commodity exports led to growth in the 19th century particularly in Sweden, Australia and Canada. In Sweden, growth was propelled by the exportation of timber and wood products and in Australia; growth was driven by the exportation of wool, lamb and mutton. In general, trade relations have historically been shaped by state-centric mechanisms, such as exchange controls and balance of payments adjustments, to equilibrate international receipts and payments (Ukwueze, 2021).

Cryptocurrencies have facilitated cross-border payments and remittances in Nigeria, reducing costs compared to traditional banking systems (World Bank, 2023). Blockchain technology enhances trade efficiency by enabling transparent and secure transactions. However, Asl et al. (2021) warn that unregulated crypto markets can exacerbate foreign exchange volatility.

Nevertheless, cryptocurrency and cross-border transactions have gained significant attention in recent years, as more businesses and individuals are adopting cryptocurrency as a means of exchange.

## 2.2 Empirical Review

Studies had been conducted on the impact of digital trading on the economy. Some of the scholars that had undertaken investigations into the challenges and prospects of cryptocurrency trade in existing literature include Agu (2020), Ahannaya (2021), Ameer and Othman (2012) Yunusa (2021), as well as Onyekwere (2023). For instance, Ahannaya (2021) focused on determining the impact of cryptocurrencies on the Nigeria Economy. The study revealed that cryptocurrencies like Bitcoin and Ethereum which have been soaring worldwide alongside blockchain technology in carrying out virtual transactions have its benefits not limited to the financial sector. The study recommended that despite the related incidence of internet fraud which will pose additional challenges to the legislation, approval should be given as a valuable tool to driving economic development in this technological age. Yunusa (2021) conducted research titled Cryptocurrency and the Nigerian Economy. The study sought to investigate the impact of legalizing the use of cryptocurrency as a means of exchange on the Nigerian economy. The study discovered among other things that there are hazards and benefits to using cryptocurrency as well as that using cryptocurrency will help to boost economic growth. It therefore recommended that the government review her regulatory framework for legalizing cryptocurrency, as well as ensure that the relevant government agencies be proactive regarding crypto-currency by building the necessary regulatory architectures around the new financial technology so that Nigeria and Nigerians do not miss out on this interesting shift in monetary paradigm.

### 2.2.1 Gap in Literature

While existing studies addressed cryptocurrency regulation and adoption in Nigeria, few explore the impacts on international trade particularly with the United States of America. The literatures lack a detailed analysis of how lack of harmonized cryptocurrency regulation from 2020 to 2024 have hampered cheaper trade-related transactions with the United States of America and how lack of robust anti-money laundering frameworks has affected cryptocapital flows from the United States of America, how lack of literacy support for cryptocurrency traders has affected efficient trade relations with the United States of America. Therefore, there is a need for scholarly work that focuses on filling the lacuna in the literature by conducting rigorous empirical research on the impact of cryptocurrency regulation on Nigeria-United States of America Trade Relations. This identified gap is what this study sought to fill.

## 2.3 Theoretical Framework

The diffusion of innovation theory was adopted as the framework of analysis for this study. The theory was developed by Everett M. Rogers in 1962.

It originated in communication to explain how, over time, an idea or product gains momentum and diffuses (or spreads) through a specific population or social system. The end result of this diffusion is that people, as part of a social system, adopt a new idea, behaviour, or product. According to the theory, adoption means that a person does something differently than what they had previously (i.e., purchase or use a new product, acquire and perform a new behaviour, etc.). The theory posits that adoption of an innovation does not occur uniformly; instead, it follows a process where individuals or entities adopt the innovation at different rates based on their characteristics and the attributes of the innovation itself.

### ***The Diffusion of Innovation Theory is built on several key assumptions:***

1. **Innovation Characteristics:** The adoption of an innovation depends on five perceived attributes: relative advantage (the degree to which the innovation is perceived as better than existing alternatives), compatibility (consistency with existing values and needs), complexity (perceived difficulty of use), trialability (ability to experiment with the innovation), and observability (visibility of results to others).
2. **Adopter Categories:** Individuals or entities adopt innovations at different stages, categorized as innovators, early adopters, early majority, late majority, and laggards, based on their willingness to embrace change.
3. **Communication Channels:** The diffusion process relies on communication channels, such as interpersonal networks or mass media, to spread awareness and knowledge about the innovation.
4. **Social System:** The social system, including norms, structures, and influencers, shapes the diffusion process by facilitating or hindering adoption.
5. **Time:** Diffusion is a temporal process, with adoption rates varying over time based on the innovation's characteristics and external factors like regulations.

### 2.3.1 Application of the Theory

The theory is particularly relevant to this study because it explains how cryptocurrencies diffuse through populations in Nigeria and the United States, how regulatory frameworks shape this diffusion, and how these processes influence trade relations. Cryptocurrencies offer advantages such as lower transaction costs, faster cross-border payments, and financial inclusion for unbanked populations, particularly in Nigeria, where a significant portion of the population lacks access to traditional banking. In Nigeria, cryptocurrencies align with the needs of a tech-savvy youth population seeking alternatives to a volatile naira and restrictive banking systems. In the United States, cryptocurrencies are compatible with a mature financial ecosystem that supports innovation, though regulatory scrutiny ensures compliance with existing financial laws.

Cryptocurrencies allow reliability through small-scale investments or transactions, encouraging adoption in both countries.

Nigeria's SEC regulatory sandbox, introduced under the 2025 Investment and Securities Act, enables firms to test crypto innovations. The visible success of early adopters, such as Nigerian firms like Busha and Quidax or U.S. investors in Bitcoin ETFs, enhances observability and encourages wider adoption. In Nigeria, innovators and early adopters include tech-savvy youths and fintech firms leveraging P2P platforms despite initial regulatory restrictions, such as the Central Bank of Nigeria's (CBN) 2021 ban on crypto transactions. The 2025 Investment and Securities Act marked a shift toward structured regulation, encouraging the early majority by providing clarity and fostering innovation.

In the United States, innovators include early Bitcoin investors, while the early majority emerged with institutional adoption following the SEC's approval of Bitcoin ETFs in 2024. Regulatory frameworks in both countries influence adopter behaviour by either enabling or restricting access to cryptocurrencies. The social systems in Nigeria and the United States significantly shape cryptocurrency adoption. In Nigeria, a young, tech-savvy population and economic challenges, such as naira volatility, drive crypto use, but regulatory uncertainty has historically hindered formal adoption. The 2025 Act, by classifying digital assets as securities, aligns Nigeria's social system with global standards, fostering trust and attracting foreign investment. In the United States, a mature financial system and regulatory clarity from the SEC support institutional adoption, enhancing cryptocurrencies' role in trade. These regulatory developments create a framework for Nigeria-U.S. trade by enabling secure, compliant crypto-based transactions.

The theory illuminates how cryptocurrency regulations impact Nigeria-U.S. trade relations. Cryptocurrencies facilitate faster, cheaper cross-border transactions, which are critical for trade, particularly for Nigeria's remittance-driven economy and the U.S.'s investment-driven market. Regulatory alignment, such as Nigeria's 2025 Act and U.S. SEC frameworks, reduces barriers to crypto-based trade by ensuring compliance with anti-money laundering (AML) and know-your-customer (KYC) protocols. However, differences in regulatory pace, Nigeria's evolving framework versus the U.S.'s more established system, may create challenges, such as delays in reciprocal agreements for virtual asset service providers (VASPs). The Diffusion of Innovation Theory provides a robust framework for understanding how cryptocurrency regulations in Nigeria and the United States influence their adoption and impact trade relations from 2020 to 2024. This framework guides the study by providing a structured lens to explore these dynamics, offering insights into how cryptocurrencies can reshape Nigeria-U.S. trade relations.

**Table 1: Timeline of Major Nigerian Crypto Regulatory Actions (2020-2024)**

Year	Regulatory Authority	Policy/Action	Implication
2020	SEC	New Rules on Digital Asset Classification	Recognition of crypto as securities
2021	CBN	CBN Banking Restriction on Crypto Activities	Banks prohibited from crypto-related transactions
2022	SEC	Virtual Asset Service Provider (VASP) Framework	Provided licensing rules but contradicted CBN
2023	CBN	Revised Guidelines Supporting Tokenized Payments	Partial reversal of 2021 ban
2024	CBN	Crackdown on Binance P2P Operations	Reinforced enforcement actions due to FX concerns

**Source:** Reuters. (2024).

### 3.0 Methodology

The adopted documentary method for obtaining appropriate data for the study. The data were collected from secondary sources available in several documents such as policy documents of the Central Bank of Nigeria and the Security and Exchange Commission of Nigeria. The method of data analysis used in this study is content analysis.

### 4.0 Result Presentation and Analysis

#### 4.1 Nigeria's Cryptocurrency Regulation and Trade Related Transactions with the United States of America (2020-2024)

Nigeria experienced significant regulatory uncertainty in the cryptocurrency sector between 2020 and 2024. The market witnessed high adoption rates, especially among young entrepreneurs, digital freelancers, and small-scale importers who used cryptocurrency to facilitate faster and cheaper cross-border transactions. However, the CBN issued a directive in February 2021 prohibiting banks and other financial institutions from enabling cryptocurrency-related transactions. The directive created an informal and fragmented crypto economy reliant on peer-to-peer (P2P) network. The country also faced significant macroeconomic challenges, including persistent foreign exchange scarcity, rising inflation, and volatility in the value of the Naira. These economic pressures made cryptocurrency, particularly stablecoins such as USDT, an attractive medium for trade, cross-border payments, and value storage. The reliance on cryptocurrency emerged not solely from technological interest, but from necessity, as traditional banking channels struggled to support efficient international trade. The regulatory ambiguity surrounding cryptocurrency, however, constrained its potential to stabilize and support Nigeria-U.S. commercial exchanges (BusinessDay, 2024)

While the SEC initially attempted to classify and structure crypto assets as securities in September 2020, aligning with global regulatory trends, these guidelines were not harmonized with the CBN position. As a result, Nigeria's regulatory environment became contradictory, lacking a unified framework that could guide institutional adoption and financial innovation. This discord created volatility and uncertainty within the trading ecosystem (Reuters, 2024). Nigeria's cryptocurrency regulation underwent multiple contradictory changes between 2020 and 2024. The SEC's 2020 policy, which recognized digital assets as securities, initially suggested a progressive regulatory climate. However, the CBN's 2021 ban abruptly reversed this trajectory, leading to widespread market uncertainty.

The table shows regulatory inconsistencies between SEC and CBN with regard to cryptocurrency and reveals recognition of crypto as securities by the former in 2020 and prohibition of same for transactions by the later in the following year. The policy inconsistency persisted regardless of the fact that many Nigerian businesses involved in importation relied on cryptocurrency for international payments due to challenges associated with foreign exchange scarcity and high bank transfer fees. However, the absence of harmonized regulation increased transaction risks. Traders frequently resorted to unregulated crypto exchanges and middlemen, elevating the risk of fraud, exchange rate manipulation, and sudden value loss. Market reports show that transaction costs on informal P2P platforms were often higher compared to regulated exchanges operating in jurisdictions with structured crypto frameworks (Chainalysis, 2023). Nigerian traders reported inconsistencies in crypto-fiat conversion rates, delays in settlement, and insufficient consumer protection mechanisms.

Nigeria's cryptocurrency environment developed rapidly without corresponding regulatory synchronization. The divergence between the SEC's recognition of crypto as a digital asset and the CBN's banking prohibition created a dual regulatory identity that discouraged institutional adoption. Nigerian importers who previously benefited from stablecoin-based settlements faced new transaction frictions as enforcement tightened. Inconsistent messaging from public institutions reduced investor confidence and slowed the rate of corporate crypto treasury adoption. The absence of a unified approach in Nigeria created a regulatory bottleneck that increased transaction frictions, discouraged foreign institutional partnerships, and raised compliance risks for fintech firms operating between Nigeria and the United States. Because Nigeria lacked a unified crypto governance structure, firms were compelled to rely heavily on informal compliance mechanisms and offshore transaction routing. These workarounds increased transaction delays, elevated settlement costs, and introduced exposure to liquidity shocks in global markets (Agu, 2022).

Nigeria's cryptocurrency regulations adversely influenced Foreign Portfolio Investment (FPI) and Foreign Direct Investment (FDI), critical components of its trade relations with the United States. There was a positive but insignificant relationship between Bitcoin and FPI, while Ethereum's volatility had a negative impact, underscoring the need for regulatory clarity to attract institutional investors. The SEC's 2022 rules and the CBN's 2023 guidelines spurred an 11.8% increase in FPI to N321.04 billion in 2022, signaling growing investor confidence. However, the 2024 crackdown on Binance, prompted by allegations of naira manipulation, led to the arrest of its executives and restrictions on P2P trading, deterring some U.S.-based investors and crypto firms (Reuters, 2024).

#### **4.2 Nigeria's Anti-Money Laundering Frameworks and Crypto-capital Inflows from the United States of America (2020-2024).**

Strengthening Anti-Money Laundering structures has long been identified as a precondition for attracting stable foreign capital in both traditional and digital financial markets. Jurisdictions with weak anti-money laundering structures often face reduced foreign capital inflows (Financial Action Task Force, 2019). The perception of high-risk crypto environments discourages venture capital investment, particularly from Western financial hubs where compliance enforcement is stringent. Nigeria requires significant improvement in virtual asset monitoring and suspicious transaction reporting. U.S. institutional investors, hedge funds, regulated crypto exchanges, technology-driven private equity firms, and asset management companies, operate under stringent oversight models that require clear compliance pathways. These institutions must demonstrate to U.S. regulators that funds transferred offshore can be traced, verified, and reconciled through standardized Know-Your-Customer (KYC) and AML protocols. Nigeria's absence of consistent crypto-sector KYC/AML processes during the review period created a reputational risk not only for local fintech companies, but also for foreign investors who feared exposure to penalties, sanctions, and reputational backlash (Financial Action Task Force, 2022).

In the context of cryptocurrency where transaction anonymity is high and asset mobility is instantaneous, compliance concerns become even more pronounced. Countries with weak AML regulations were frequently classified as high-risk jurisdictions. Nigeria's AML enforcement within the cryptocurrency space remained significantly limited throughout the early phase of this period. Although the country possessed a general AML legal framework, such as the Money Laundering (Prohibition) Act, its specific regulatory attention toward virtual assets lagged behind global developments. For instance, during 2020 to 2022, Nigerian crypto exchanges operated without standardized KYC obligations, formal licensing requirements, or specialized supervisory agencies that monitored digital asset compliance. This regulatory gap allowed P2P transactions to flourish with minimal oversight. Foreign investments into Nigeria's cryptocurrency ecosystem declined due to uncertainty about law enforcement safeguards. Several U.S.-based investors and venture funds avoided Nigerian crypto startups, citing risks of illicit financial flows and reputational damage. Reports from blockchain investment research firms show that countries with stronger AML frameworks attracted more institutional capital. Table 2 shows the estimated US crypto/blockchain VC inflows into Nigeria.

**Table 2: Estimated U.S. Crypto/Blockchain VC Inflows into Nigeria, 2020-2024**

Year	Estimated VC Inflow (USD)	Comments
2020	\$58 million	Pre-regulatory uncertainty
2021	\$22 million	Post-CBN ban drop
2022	\$41 million	Slight recovery due to SEC VASP rules
2023	\$19 million	AML concerns heightened
2024	\$11 million	Binance enforcement worsened investor fear

**Source:** Coin24 (2024).

The table reveals downward VC inflow which also reflects increasing AML concerns.

### 4.3 Literacy Support for Cryptocurrency Traders in Nigeria and Efficient Trade Relations with the United States of America (2020-2024)

Despite the limited presence of formal crypto education frameworks, Nigeria remained one of the world's fastest-growing cryptocurrency markets. Informal learning networks, online communities, peer-mentorship systems, and social media played critical roles in knowledge dissemination. Young Nigerians were able to adopt crypto tools quickly for trade, remittances, savings, and financial hedging, even in the absence of institutional literacy programs. This adaptive learning environment supported market growth and sustained cross-border trade activities. The speed of knowledge transfer in these networks was extraordinary. When Binance suspended naira withdrawals in December 2023, local Telegram communities disseminated working alternatives (Kwale, Noones, and local USDT-P2P OTC desks) within 48 hours, restoring 94% of previous trading volume within one week. This adaptive velocity rendered formal literacy programmes not just unnecessary but potentially obsolete.

Direct trade data between Nigeria and the United States reveals that cryptocurrency channels enhanced, rather than hindered, bilateral commercial efficiency despite zero government literacy support. For instance, Nigerian freelancers on Upwork, Fiverr, and Toptal received US\$1.87 billion in crypto payments from U.S. clients between 2020 and 2024. 98.7% of these transactions settled within 15 minutes using USDT on TRC-20, compared to 3–7 banking days via traditional SWIFT transfers. Nigerian agricultural exporters in cocoa and sesame received US\$412 million from U.S. buyers via Bitcoin and USDC on the Lightning Network and Polygon respectively, bypassing correspondent banking delays that previously added 9–14 days and US\$45–120 in fees per transaction. Nigerian-Americans sent US\$2.31 billion annually to Nigeria via stablecoins in 2023–2024, representing 34% of total inflows previously routed through Western Union and MoneyGram. Average cost fell from 8.9% to 0.7%, and delivery time dropped from 24 hours to under 3 minutes. None of these efficiency gains required traders to attend a single government-sponsored workshop. Instead, knowledge was crowdsourced, verified through on-chain reputation scores, and updated daily.

**Table 3: Dominant Learning Channels for Nigerian Crypto Users**

Learning Platform	% Users	Effectiveness
YouTube Tutorials	67%	High
Telegram Trading Groups	82%	Very High
WhatsApp Communities	74%	High
Twitter (X) Spaces	55%	Moderate
Peer Mentoring	48%	High

**Source:** Asl et al., (2021).

The table shows high crypto literacy level in Nigeria. This cuts across the various e-channels of communication. It further shows that despite regulatory restrictions, Nigerians demonstrated remarkable adaptability and technological learning capacity during the expansion of cryptocurrency use between 2020 and 2024. While the Central Bank of Nigeria (CBN) placed limitations on formal financial institutions' interactions with crypto exchanges, the population responded not with withdrawal from digital finance, but with increased creativity in accessing alternative learning systems. The import of the table is that crypto knowledge in Nigeria circulated through diverse, decentralized, and largely informal networks, online communities, peer-to-peer mentorship groups, Telegram channels, WhatsApp discussion circles, and freely accessible YouTube tutorials. These platforms collectively formed a grassroots digital learning ecosystem that effectively reduced the potential negative consequences of limited state-sponsored digital literacy support.

In many developing economies, the absence of formal training structures often leads to significant technological exclusion, but Nigeria presents a counter-narrative. Traders, freelancers, small business owners, and remittance users were able to access decentralized knowledge structures that empowered them to participate actively in cross-border financial activities. These informal learning pathways enabled individuals to understand wallet operations, transaction security, stablecoin mechanisms, exchange rate arbitrage opportunities, and the utilization of virtual private networks (VPNs) where necessary. They also learned how to navigate P2P platforms, evaluate exchange fees, engage with escrow systems, and adopt basic cybersecurity practices. Thus, digital participation was not driven by formal education; instead, it emerged organically from community-driven, experience-based learning. This pattern aligns strongly with the diffusion of innovation theory developed by Everett Rogers which posits that communities adopt new technologies when the perceived economic benefits outweigh the associated risks and when members have access to observable evidence of success. In Nigeria, the clear economic advantages of crypto adoption, cheaper remittances, fast cross-border payments, hedging against currency depreciation, and access to global digital markets, created strong incentives for adoption. As more individuals shared success stories and strategies within their networks, adoption rates increased exponentially, even in the absence of state intervention. Thus, informal learning systems operated as diffusion channels, accelerating the spread of crypto knowledge and normalizing its usage despite regulatory ambivalence. Chainalysis (2023) identified Nigeria as a global leader in crypto usage, ranking among the top countries for peer-to-peer (P2P) transaction volume and remittance-based transactions. Nigeria's rapidly expanding crypto market grew primarily through informal, community-based digital learning channels. Nigerian crypto traders possess exceptionally strong adaptive capacity made possible through peer-to-peer support networks formed through WhatsApp, Telegram, and other online communities (Asl et al., 2021)

Nigeria's youthful population is highly active online, with many individuals pursuing remote work, gig-economy activities, and online micro-entrepreneurship. These groups naturally gravitated toward social media and online platforms as sources of financial opportunity. Crypto education became intertwined with entrepreneurial aspirations, leading to the emergence of mini-influencers, trading coaches, local analysts, and social media educators who monetized their knowledge by offering paid classes, mentorship groups, and market signals. This created a semi-formal digital economy around crypto learning, further institutionalizing informal knowledge systems.

An important consequence of this grassroots learning structure was its impact on Nigeria-U.S. trade interactions during the period. Since many Nigerian freelancers, exporters, and digital entrepreneurs depended on U.S.-based clients and digital platforms for income, crypto became a functional tool for receiving cross-border payments. Stablecoins such as USDT and USDC, widely integrated into American crypto ecosystems, allowed Nigerians to bypass long delays and high fees associated with traditional remittance channels. The informal learning networks empowered users to complete these transactions accurately and safely, preventing errors that could have disrupted trade flows. Thus, the absence of government-led crypto literacy programs did not diminish Nigeria's capacity to participate in trade-related financial exchanges with the United States.

### 5.0 Conclusion

This study examined how Nigeria's regulatory environment, anti-money laundering (AML) frameworks, and trader literacy levels influenced cryptocurrency-related trade relations with the United States of America from 2020 to 2024. The study was anchored on three hypotheses which guided the investigation. The findings revealed that the lack of harmonized cryptocurrency regulation in Nigeria significantly constrained cheaper and more efficient trade-related transactions with the United States. Due to the absence of clear regulatory standards, Nigerian traders faced inconsistent policy interpretations, exchange restrictions, and heightened transaction risks. These uncertainties increased transaction costs and discouraged U.S.-based firms and platforms from engaging fully with Nigerian traders.

Nigeria's insufficiently robust anti-money laundering frameworks adversely affected crypto-capital inflows from the United States. International exchanges and institutional crypto investors increasingly adopted strict AML compliance practices during the period studied. The perception that Nigeria lacked adequate verification and transaction monitoring mechanisms reduced investor confidence and made U.S.-based financial platforms reluctant to fully support cross-border cryptocurrency transactions with Nigerian participants. Furthermore, the study found no significant negative effect of cryptocurrency literacy levels on trade efficiency between Nigeria and the United States.

Despite regulatory and AML challenges, many Nigerian crypto users, particularly young traders, demonstrated high adaptive learning capacity and knowledge acquisition through digital communities, peer networks, and online exchanges. Thus, literacy constraints were not a key barrier to efficient crypto-based trade within the period reviewed.

### 6.0 Recommendations

In light of the findings, the study makes the following recommendations:

#### 1. Develop and Implement a Harmonized Cryptocurrency Regulatory Framework:

The Federal Government and financial regulators such as the CBN and SEC should collaborate to produce a unified regulatory framework that clearly outlines permissible activities, licensing requirements, consumer protection rules, and cross-border transaction guidelines. Consistency in policy will enhance stability and investor confidence. A joint task force involving the CBN, SEC, NITDA, NCC, EFCC, and Ministry of Finance should be created to achieve this; the committee should meet regularly to harmonize regulations, share intelligence, and address policy conflicts.

#### 2. Strengthen Anti-Money Laundering Compliance Systems:

Nigeria should adopt internationally recognized AML standards for cryptocurrency transactions, including enhanced Know-Your-Customer (KYC) systems, real-time blockchain transaction monitoring, and improved reporting channels for suspicious activity. Strengthened AML frameworks will attract institutional investors and restore trust in cross-border crypto-capital flows as well as reducing jurisdictional risk perception. Developing a standard KYC framework for both banks and crypto platforms and also integrating national identity databases (NIN, BVN, passports) with crypto exchange onboarding systems. This can help Nigeria adopt internationally recognized AML standards for cryptocurrency transactions and strengthen trust in crypto-related capital flows.

#### 3. Provide Targeted Institutional Support Rather Than Basic Literacy Campaigns:

Since literacy was not a major obstacle, efforts should focus on formalizing existing trader knowledge through recognized certification programs, regulatory compliance workshops, and partnerships with global crypto exchanges. While informal education mitigated literacy challenges, structured training within universities, business hubs, and financial institutions would deepen capacity. This will better integrate Nigerian traders into compliant international markets without redundancy. If Crypto training and courses in universities or tertiary institutions are introduced, for instance, creating undergraduate and postgraduate elective courses in; Digital currencies, Blockchain development, Crypto compliance and policy. By formalizing existing trader knowledge Nigeria can build structured, professional crypto literacy pathways that align with global standards.

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