Chapter 6

Determinants of Digital Currency Usage in Nigeria

Oladapo Fepetu
Federal University Oye-Ekiti, Nigeria

Pelumi Abdulmalik Adewumi
https://orcid.org/0000-0003-1228-9035
Federal University Oye-Ekiti, Nigeria

ABSTRACT

This study appraised the determinants of digital currency usage in Nigeria. The chapter focused on factors like financial knowledge, perceived value, and perceived convenience as the determinants. The study employed a survey research design, with the primary source of data gathered from questionnaires. 218 respondents formed the sampling size. The study found that the financial knowledge has a favourable and insignificant relationship with usage of digital currency in Nigeria. The findings also revealed that perceived value and perceived convenience have positive significant relationship with usage of digital currency in Nigeria. The study concluded that financial knowledge, perceived value, and perceived convenience are the major factors that would improve the usage of digital currencies in Nigeria. The study recommended that strong awareness and publicity should be made on digital currencies in order to enlighten the general public on the benefits that digital currencies have to offer, and also indicating the conveniency that comes with the usage of digital currency.

1. INTRODUCTION

Over the past two decades, transactions have been carried out more in a hybrid form (physically and online) globally. Before the advent of Internet, transactions are done

in the physical markets, where buyers and sellers meet to transact between themselves, the practice has long existed. However, the birth of Internet in 1962 changed how transactions would be carried out in the later years (Leiner et al., 1997). Since then, business activities have been on in both physical and online. However, with the passage of time, it became obvious that online (internet) transactions are better than physical transactions (Singh et al., 2013; Okifo & Igbunu, 2015; Bezhovski, 2016). Putting this revelation into consideration, Internet transactions have slowly begun to crowd-out physical transactions as there have been increasing online shopping outlets every year and increasing online transactions (Vasudevan & Arokiasamy, 2021). Although, as pointed out by Kumar et al. (2022), online transactions are plagued with some disadvantages, which includes issues related to on-time delivery, the potential for falling victim to fraud, and the need of spending a significant amount of time online. The contemporary landscape of online shopping presents various challenges, including reduced opportunities for interpersonal engagement, concerns over product quality, potential complications with returns, and instances of consumer dissatisfaction due to the perceived difficulty and inhospitable nature of many online retailers. The absence of adequate customer support, sluggish network connections, and challenges related to connectivity.

Among the major innovations that came with this trend is the introduction of digital currencies. The advent of digital currency is purposed to ease transactions especially online transactions (Wu et al., 2022). Digital currency was first introduced in 2008 by Satoshi Nakamoto. He introduced the first crytocurrency and Bitcoin. Blockchain technology is utilised by Bitcoin, a decentralised money system without a central server, to process transactions (Wong et al., 2022). Nakamoto (2008) sought to create a decentralised, directly inter-person payment system without a centralised authority. Using cryptography, which replaces the requirement for systemic trust in favour of transaction validation that is completely dependent on technology, makes this possible. Since then, digital currencies have materialised. Huge technology advancements have changed the way our lives are ordered, but knowledge has not kept pace. Upcoming digital currencies are now undergoing testing and are expected to be launched in the far future. The switch from physical currency to digital payment methods has been accelerated as a result of the global impact of the coronavirus pandemic. In the year 2021, an impressive total of 81 central banks were engaged in the process of developing Central Bank Digital Currencies (CBDCs) (Boar et al., 2020; Çela, 2021; Atlantic Council, 2021). Based on a poll conducted by the Bank for International Settlements (BIS), it has been projected that central banks, which together represent about one-fifth of the global population, would introduce CBDCs by the year 2024. The goal of a general-purpose CBDC is to serve as a digital representation of physical cash, designed for utilisation for both individuals and organisations (Çela, 2021).

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