

August 2025

SYNTEGRAL LEGAL PRACTICE

DIGITAL CURRENCIES AND FINANCIAL INCLUSION: CAN CRYPTOCURRENCIES BRIDGE THE GAP?

Authors



Faith Eze
Associate Counsel



Salama Jidda
Associate Counsel

Contact:
info@syntegrallp.com

Introduction

Financial inclusion is increasingly recognized as a catalyst for sustainable economic growth and development. Despite efforts by financial institutions and regulators, a significant portion of the global population remains unbanked or underbanked. Emerging digital currencies, particularly cryptocurrencies, present unique opportunities to bridge this gap by enabling easier access to financial services, reducing transaction costs, and attracting investment into previously underserved markets. However, their adoption raises regulatory, legal, and market-structure challenges that require careful navigation. This article examines the interplay between cryptocurrencies and financial inclusion, with a focus on Nigeria.

The World Bank identifies financial inclusion as a key driver for achieving the Sustainable Development Goals (SDGs), emphasizing its role in promoting economic development and empowering citizens. Yet, despite decades of reforms, the challenge remains global.[1] Current estimates suggest that 1.7 billion people are underbanked, while approximately 2.3 billion adults remain entirely excluded from formal financial systems.[2] Small- and medium-sized enterprises, which form the backbone of many economies, also face persistent barriers to accessing affordable financial services.

In Nigeria, the Central Bank of Nigeria (CBN) reports that out of a population exceeding 200 million, only about 55 million individuals have active bank accounts, with nearly 24% of accounts inactive. Although the proportion of adults outside the formal financial system has improved from 53% in 2008 to 36% in 2020, millions remain financially excluded, especially in rural and underserved communities.[3]

[1] World Bank, 'Financial Inclusion', https://www.worldbank.org/en/topic/financialinclusion/overview#:~:text=Financial%20inclusion%20is%20a%20catalyst,supports%20entrepreneurship%20and%20business%20growth

[2] Uduak Michael Ekong and Christopher Nyong Ekong , Digital currency and financial inclusion in Nigeria: lessons for development, (2022) 2(1), Journal of Internet and Digital Economics.

[3] National Financial Inclusion Strategy, 2022, https://www.cbn.gov.ng/Out/2022/CCD/NFIS1.pdf

As traditional banking models struggle to close this gap, the global financial landscape is being reshaped by digital innovations, most notably, digital currencies. A digital currency refers to money represented in digital form, which can be stored and transferred electronically. It may be issued by a central authority, as with Central Bank Digital Currencies (CBDCs), or privately issued, such as cryptocurrencies that operate on decentralized blockchain networks.[4]

The question is no longer whether digital currencies can transform the financial sector, but whether they can do so in a way that is inclusive, accessible, and sustainable.

Financial Inclusion as a Catalyst for Sustainable Growth and Development

Financial inclusion may not be listed as a target within the global goals, but it remains a crucial enabler for achieving many of them. A strong and inclusive economy is not only a goal in itself but also a necessary condition for meaningful financial inclusion. The overarching objective of the SDGs is to eradicate poverty, hunger, and disease across both developed and developing nations. Financial inclusion plays a vital role in advancing these aims by giving individuals and communities the tools and opportunities they need to improve their livelihoods.

Financial inclusion is not merely a social policy goal; it is a strategic economic imperative with tangible legal and regulatory dimensions. In Nigeria, the National Financial Inclusion Strategy (NFIS),[5] launched by the Central Bank of Nigeria (CBN) in 2012 and revised in 2018, sets ambitious targets to reduce the percentage of financially excluded adults to 20% by 2024. The framework emphasizes expanding access to credit, savings, insurance, and payment systems for underserved populations, recognizing that access to finance is critical for fostering entrepreneurship, facilitating investment, and stimulating consumer spending.

From a development perspective, inclusive finance enhances GDP growth by integrating informal economic activities into the formal economy, thereby widening the tax base and increasing fiscal capacity for public investment. Socially, it contributes to poverty reduction, promotes gender equality, and enhances access to education and healthcare, advancing the United Nations Sustainable Development Goals (SDGs), particularly Goal 1 (No Poverty), Goal 5 (Gender Equality), Goal 8 (Decent Work and Economic Growth), and Goal 9 (Industry, Innovation, and Infrastructure).[6]

Legally, financial inclusion is reinforced by enabling regulations such as the CBN's Guidelines for Mobile Money Services in Nigeria[7], the Microfinance Policy[8], Regulatory and Supervisory Framework, and the National Financial Inclusion Strategy. These instruments aim to reduce structural barriers to access for the unbanked and underbanked, particularly in rural communities, by encouraging innovation in product design and delivery channels.

However, despite these initiatives, persistent challenges remain. High transaction costs, limited branch networks, low financial literacy, and infrastructural gaps continue to exclude millions from formal financial systems. This enduring gap presents both a policy challenge and an investment opportunity, a space where emerging digital asset solutions, including cryptocurrencies, could play a transformative role.

---

[4] National Financial Inclusion Strategy, 2022, https://www.cbn.gov.ng/Out/2022/CCD/NFIS1.pdf
[5] Ibid.
[6] L. Ferrata, Digital financial inclusion - an engine for "leaving no one behind", 2019, Economics, Business, Computer Science
[7] Central Bank of Nigeria Regulatory Framework for Mobile Money Services in Nigeria 2021, https://www.cbn.gov.ng/Out/2021/CCD/Framework%20and%20Guidelines%20on%20Mobile%20Money%20Services%20in%20Nigeria%20-%20July%202021.pdf
[8] Central Bank of Nigeria Revised Microfinance Policy Framework for Nigeria 2011, https://www.cbn.gov.ng/Out/2011/pressrelease/gvd/Reviewed%20Microfinance%20Policy%20April%202011.pdf

Cryptocurrency and Financial Inclusion

Cryptocurrencies such as Bitcoin, Ethereum, and hundreds of other digital assets have emerged as decentralized alternatives to traditional currency, allowing for peer-to-peer transactions without intermediaries.[9] This was matched by rapid proliferation and diffusion, which entailed intense debates on their implications for the future of finance and their potential implication for monetary policy and financial stability. [10] Alternatively, central banks worldwide are gradually developing or introducing digital currencies to retain control over national economic systems.

Cryptocurrencies, underpinned by blockchain technology, present an alternative financial infrastructure that can bypass traditional banking constraints. For investors, the appeal lies in the size and untapped potential of emerging markets like Nigeria, where large unbanked populations create a fertile ground for scalable digital financial solutions.

The investment potential of cryptocurrencies in fostering financial inclusion rests on several pillars:

- Lower Barriers to Entry – Crypto wallets can be set up without the extensive documentation required by conventional banks, which is a major barrier for rural dwellers and informal workers.
- Cross-Border Payment Solutions – Cryptocurrencies, particularly stable coins, offer cost-effective remittance channels that can reduce the high fees associated with traditional money transfer operators, a significant consideration given Nigeria's position as one of the top remittance-receiving countries in Sub-Saharan Africa.
- Micro-Investment Opportunities – Tokenization enables fractional ownership of assets, allowing individuals with limited capital to invest in sectors like agriculture, real estate, and renewable energy in compliance with local investment laws.
- Programmable Financial Products – Smart contracts can automate lending, insurance, and savings mechanisms, reduce administrative costs and improve efficiency.

Nigeria's regulatory framework for digital assets has undergone notable evolution, marked by significant interventions from both the Central Bank of Nigeria (CBN) and the Securities and Exchange Commission (SEC). The CBN's restrictive position was formalized in 2021[11], which directed banks and other financial institutions to refrain from facilitating cryptocurrency transactions. This prohibition reflected concerns over money laundering, terrorism financing, and consumer protection. However, the landscape shifted with the release of the "Guidelines on Operations of Bank Accounts for Virtual Assets Service Providers (VASPs)" in December 2023, which introduced a regulated pathway for VASPs to operate bank accounts, provided they meet strict Know-Your-Customer (KYC) and Anti-Money Laundering/Combating the Financing of Terrorism (AML/CFT) compliance requirements.

On the capital markets side, the SEC set an early regulatory tone through its 2020 Statement on Digital Assets and their Classification and Treatment[12], which recognized certain classes of digital tokens as securities and established licensing and disclosure obligations for issuers and intermediaries. This approach has now been codified in the Investment and Securities Act 2025, which expressly defines digital assets as securities, thereby placing them under the SEC's statutory oversight. These coordinated regulatory measures signal a transition from prohibition to structured supervision, aligning Nigeria's framework with global trends in digital asset governance while seeking to balance innovation with financial system integrity.

[9] Mary Wheatley, Cryptocurrencies: Economic Innovation and Challenges, (2024), Premier Journal of Business and Management, https://doi.org/10.70389/pjbm.100004?sid=semanticscholar
[10] Ejuchegahi Anthony Angwaomaodoko, 'Cryptocurrencies and Central Bank Digital Currencies (CBDCS): Implications for Monetary Policy and Financial Stability' (2024) 10 (11) Path of Science
[11] Circular BSD/DIR/PUB/LAB/014/001 of 5 February 2021
[12] SEC, Statement on Digital Assets and their Classification and Treatment, https://sec.gov.ng/statement-on-digital-assets-and-their-classification-and-treatment/

Legal and Regulatory Challenges

The promise of cryptocurrency for financial inclusion is tempered by legal and regulatory considerations that cannot be ignored:

- Anti-Money Laundering and Counter-Terrorism Financing (AML/CFT): Cryptocurrencies can be exploited for illicit transactions. Compliance with the Money Laundering (Prevention and Prohibition) Act 2022 and adherence to Financial Action Task Force (FATF) recommendations are critical for legitimacy.

- Consumer Protection: The absence of clear dispute resolution mechanisms in crypto transactions exposes consumers to fraud and market manipulation risks. There is currently no statutory compensation framework comparable to the Nigeria Deposit Insurance Corporation (NDIC) scheme for bank deposits.

- Data Protection: Under the Nigeria Data Protection Act 2023, crypto service providers must ensure lawful processing of personal data, especially in wallet creation, KYC procedures, and transaction monitoring.

- Jurisdictional Complexity: Cross-border nature of cryptocurrency transactions raises questions about applicable law, enforcement, and taxation, requiring coordinated international and regional legal frameworks.

Recommendations

For cryptocurrencies to effectively contribute to financial inclusion while attracting sustainable investment, the following measures should be considered:

- Regulatory Clarity – Enactment of a comprehensive Digital Assets Bill that defines permissible activities, licensing requirements, and investor protection measures.

- Regulatory Sandbox – Expansion of the CBN and SEC sandbox environments to include crypto-focused financial inclusion solutions, enabling innovators to test products under regulatory oversight.

- Public-Private Partnerships (PPPs) – Collaboration between regulators, fintech firms, and development agencies to deliver affordable, blockchain-based financial services to underserved communities.

- Financial Literacy Initiatives – Nationwide campaigns to educate citizens on safe and responsible use of cryptocurrencies, potentially through integration into the NFIS action plan.

- Investor Incentives – Tax incentives or grants for companies developing crypto-based products that demonstrably advance financial inclusion objectives.

Conclusion

Financial inclusion remains a cornerstone of sustainable growth and development, and while progress has been made, significant gaps persist in Nigeria's financial landscape. Cryptocurrencies, if supported by a clear and enabling regulatory framework, have the potential to bridge these gaps by lowering barriers to access, reducing transaction costs, and attracting private investment into underserved markets.

While cryptocurrencies alone may not be a silver bullet for financial exclusion, their integration into a well-regulated financial framework can create new pathways for economic participation, innovation, and investment. In Nigeria, where financial access gaps persist, a thoughtful balance between innovation and regulation is critical.

Disclaimer:

The information provided in this publication does not, and is not intended to constitute legal advice. It is intended for general informational purposes only. Please see contact below for further information you may require.

© Copyright 2025 - Syntegral Legal Practicie