

# Cryptocurrency adoption in Africa: The ups and downs



By Eugene Yiga

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Africa is booming in terms of cryptocurrency adoption, according to the 2020 Geography of Cryptocurrency Report by Chainalysis - a blockchain analysis company that provides data, software, services, and research to government agencies, exchanges, financial institutions, and insurance and cybersecurity companies in over 50 countries.



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According to the report, Africa's on-chain cryptocurrency activity has consolidated further onto the 10 largest services in the region by volume, with those services' share of overall activity in the region rising from 67% in October 2019 to 78% in 2020.

Most of the activity from Africa is going to Binance – the largest cryptocurrency exchange in the world in terms of trading volume. It provides platform for trading various cryptocurrencies.

Binance's share of all cryptocurrency activity in Africa has risen sharply since the beginning of 2020, the report says. Retail-sized transfers (transfers under \$10,000) make up a larger share of Africa's cryptocurrency activity than any other region, and the need for remittances is a big part of this.

Yet, the Nigerian Central Bank recently directed banks to stop offering services to cryptocurrency providers.

## Peer-to-peer exchanges

"Adoption was just beginning to take off in Africa, and in Nigeria specifically things were blowing up last year," says Buchi Okoro, co-founder and CEO of Quidax, a platform that allows people to buy and sell cryptocurrencies. "Trades are still happening on exchanges [where] you'll see trickles but it's nothing close to the volumes we saw."

With Nigeria excluded from what Okoro calls “the global prosperity,” a lot of its people are now diverting to peer-to-peer (P2P) exchanges instead. Unfortunately, a lack of regulation in some of the countries could create problems when it comes to ownership of assets.

“We’re seeing a lot of activity through P2P exchanges, and then other exchanges also trying to navigate the issues around getting money,” he says. “But essentially, it’s still about being able to find a way to be compliant.”

Indeed, P2P trading is a major trend in Kenya as well. Even though the country’s central bank issued a cautionary notice warning investors about cryptocurrency platforms, that did not stop a few people from diving in headfirst.

“A lot of people tweeted about banks shutting their accounts with their funds still there because they were in one way or another facilitating a cryptocurrency transaction,” says Roselyne Wanjiru, director of growth and user acquisitions at Pesabase, a platform that allows people to send money and make payments. “But people also felt that if they could make money from this in the middle of a pandemic, it’s something they were going to do.”

Understanding the world of cryptocurrency.”

Part of the problem surrounding cryptocurrency adoption in Africa, besides the lack of reliable and affordable internet, particularly beyond urban areas, is the varying level of financial literacy.

Most people are not conscious of investment types beyond the basics like real estate or stocks. Even those who hear about certain billionaires probably don’t know much about how they built their wealth, beyond thinking that it has something to do with money.

“The longer it takes this information to get to the general public, especially the younger generation, the less likely they will be to aspire to this in the first place,” Wanjiru says. “That means decentralised finance and cryptocurrency could be at risk of being extremely niche in the future.”

Making cryptocurrency more mainstream starts with breaking down the concepts into one’s local language. But although Wanjiru has seen some efforts to translate educational material into Kiswahili, there are still hundreds of other languages and dialects across the continent.

“More needs to be done to translate this to different local languages so that the elder population and those who may not be in urban areas can have access to the information. At the same time, various platforms need to make it easier for people who are completely new to cryptocurrency understand it better.” she says.

## **The need for regulation and trust**

Given the constantly changing nature of the cryptocurrency world, one of the biggest risks is lack of proper regulation in some African countries. This could put companies out of business overnight through no fault of their own, yet regulation is exactly what the industry needs most.

“We have no regulatory framework. We follow the policies given to banks about things like minimum capital and transaction limits,” Okoro says. “But anything can happen at any point in time. So, in terms of what we’ve been doing right now, we’ve written several letters begging for regulation.”

Tied to the need for regulation is the need for trust. As someone who’s spoken about cryptocurrency for years, Wanjiru has seen her friends go from mild curiosity to a strong desire to get involved.

She believes that achieving mainstream adoption, especially when there are so many conflicting views on the subject, requires more consistency from the industry. "If they didn't trust me or didn't see my consistency, that trust wouldn't have been worth much."

If people do not buy into your platform, or download your app, or sign up to be part of your community, you must still be present in terms of being an authority by engaging with them and answering any questions they may have, says Wanjiru: "Just be present, be consistent and build the trust that will allow these people to come (even if it's two or three years down the line) and be some of your most loyal customers."

Although the continent still has the smallest cryptocurrency economy of any region analysed in the report, with just \$8bn worth having been received and \$8.1bn sent on-chain that year, that relatively small amount of activity is creating life-changing value for users in the region facing economic instability, offering low-fee remittances and an alternative way to save.

## ABOUT EUGENE YIGA

Eugene graduated from the University of Cape Town with distinctions in financial accounting and classical piano. He then spent over two-and-a-half years working in branding and communications at two of South Africa's top market research companies. Eugene also spent over three-and-a-half years at an eLearning start-up, all while building his business as an award-winning writer. Visit [www.eugenyiga.com](http://www.eugenyiga.com), follow @eugenyiga on Twitter, or email [hello@eugenyiga.com](mailto:hello@eugenyiga.com) to say, um, hello.

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