

## Central Bank Digital Currencies: Spotlight on Nigeria's eNaira

Interest in Central Bank Digital Currencies ("CBDCs") is booming worldwide. Up from just 35 in May 2020, over 130 countries and currency unions are exploring CBDCs as of July 2025<sup>1</sup>. CBDCs stand out as a practical use of blockchain technology. They promise faster payments, lower costs, greater financial inclusion, and better tools for managing the economy.

In our previous article, we explored the basics of digital currencies, including their types and key features (Click here to view). This article shifts focus from the global picture to a specific case study: Nigeria's eNaira, Africa's first CBDC and a pioneering step in digital finance.

### Understanding the eNaira

The eNaira is a digital, secure, and instant version of the Nigerian Naira that works like cash but lives on your phone. It was launched in October 2021 by the Central Bank of Nigeria ("CBN") as legal tender, designed to complement physical notes and coins and make everyday payments easier and more efficient.

The eNaira is valued equally to the physical Naira (1:1 exchange). It uses a secure digital system based on blockchain to prevent fraud and ensure transparency. Unlike decentralised cryptocurrencies such as Bitcoin, the eNaira is centralised and managed by the CBN, drawing trust from the government's backing. Users get access through banks or licensed financial institutions, much like depositing cash into a digital wallet.

### Key Objectives of the eNaira

The CBN created the eNaira to address Nigeria's economic realities, ranging from its heavy reliance on cash to the need for faster remittances. Its main goals include:

- **Financial Inclusion:** Provide unbanked and underbanked Nigerians with a safe way to join the formal financial system, even without a traditional bank account
- **Payment Efficiency:** Support faster, cheaper, and more reliable domestic transactions, reducing dependence on cash
- **Cost Reduction:** Minimises the costs of printing, transporting, and securing physical currency
- **Cross-Border Transactions:** Enables quicker and more affordable remittances, especially vital for Nigeria's diaspora communities who send billions of dollars home each year
- **Monetary Policy Effectiveness:** Strengthens the CBN's ability to track money flows and respond to economic conditions in real time

### Design and Architecture

The eNaira was developed through a carefully planned design process that included risk management protocols from the start. It uses a two-tier retail model wherein the CBN issues the currency, while commercial banks and other licensed agents provide access to users. In 2023, the CBN also upgraded the eNaira for contactless payments to improve user experience and adoption.

Component	Description	Purpose
<b>Blockchain Platform</b>	▪ Built on Hyperledger Fabric, a secure blockchain that only allows authorised access, offering strong privacy, speed, and reliability	▪ <i>Ensures safe, tamper-proof transactions with high performance</i>
<b>Access Channels</b>	▪ Speed Wallet mobile app, web portal, and USSD code *997# (works without internet)	▪ <i>Makes it easy for anyone to use, even in areas with poor connectivity</i>
<b>Identity Verification</b>	▪ Integrated Nigeria's Bank Verification Number (BVN) and National Identification Number (NIN) systems	▪ <i>Boosts security, prevents fraud, and meets regulations</i>

<sup>1</sup> See [here](#) for more details

## Adoption and Use Cases

In its first weeks, the eNaira showed strong interest, with over 500,000 wallet downloads from tech-savvy users. By mid-2023, more than 13mn wallets had been created, with uses including government payouts such as welfare and salaries. Circulation grew from ₦0.94bn in 2021 to ₦18.30bn in 2024, but this still represents just 0.36% of total currency in circulation.

Despite rising wallet numbers, active usage remains limited. According to the International Monetary Fund (IMF)<sup>2</sup>, about 98% of eNaira wallets are inactive, meaning most people sign up but do not transact regularly. By 2024, active users settled around 10 million, keeping overall adoption below 1%. Urban centres like Lagos and Abuja have seen the most use, while rural adoption lags due to limited internet, poor infrastructure, and strong cash habits. Notably, however, about one-third of eNaira users were previously unbanked, showing its real potential for financial inclusion, meaning small traders can now sell goods safely without carrying cash or paying transaction fees or bank charges.

## Challenges

Despite being legal tender, the eNaira faces strong competition from mobile money platforms with wider networks and higher trust. Key challenges include:

- **Public Awareness & Literacy Gaps:** Limited understanding of the eNaira's purpose, features, and security measures, alongside low digital literacy
- **Infrastructure & Technical Barriers:** Intermittent internet access, unreliable electricity, and low smartphone penetration, especially in rural areas
- **Market Competition:** Strong presence of mobile money platforms and fintech apps with broader merchant networks and proven convenience
- **Security Concerns:** Fear of cyberattacks and data breaches undermines confidence

## Conclusion

Nigeria's eNaira launch put the country ahead in Africa's digital currency race. While hurdles like low usage persist, it showcases the upsides and pitfalls of government-backed digital money. Lessons from Nigeria, such as building trust and improving infrastructure, are valuable for other nations. As CBDCs continue to evolve globally, the eNaira's story reminds us that technology alone isn't enough; success needs public education and real-world fixes. In the next article, we will explore the future of money and how CBDCs will reshape African economies.

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<sup>2</sup> see [here](#) for more