

# **Digital Currency and Real Estate Finance in Nigeria: Professional's Appraisal**

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## **Abstract**

This study appraises real estate professionals' perspective on the adoption of digital currency for real estate finance in Nigeria. Using Abuja as the study area, data was collected from estate surveyors and valuers in registered firms by administering questionnaires. Descriptive statistics was employed to analyze the data collected. Findings indicated that Bitcoin, Ethereum, and Binance Coin were the most aware digital currencies for payment in online transaction. While cross-border trade facilitation, liquidity in real estate investment, financial inclusion, and reduced cost of transactions were the most perceived benefit of digital currencies in real estate finance among the surveyed professionals. This study recommends that real estate professionals should embrace the implementation of digital currencies to sustain the future of real estate finance and investment, as transactions involving real estate become more diversified with the launch of digital currency (e-Naira) to stabilize the payment system in Nigeria.

**Keywords:** Blockchain, Digital Currency, e-Naira, Real Estate Finance, Cryptocurrency, Investment

## 1.0 Introduction

In finance, the market for payment services is essential to all economic activities. Digital disrupters are attracted to payments because it's less capital-intensive than other financial services, and the information generated is greatly valuable for transaction (Olukolajo, Babajide & Akinwamide, 2015). Stewart (2017) suggested that new digital platforms (such as crowdfunding and micropayment capabilities) for transactions could generate new market and funding opportunities for companies (such as start-ups). With the adoption of digital transactions and new payment technologies (such as Blockchain-based solutions), businesses could benefit from reduced cost of operation (Akinwamide & Hahn, 2021). Real estate firms could also reach larger customers from the equality of opportunities provided through online advertising platforms (Olukolajo, *et al.*, 2015; Akinwamide & Bello, 2019; Akinwamide, 2021a; Akinwamide, 2021b; Akinwamide, 2021c). The introduction of digital innovations in payments has therefore resulted to the use of new digital payment platforms adopted by Fintech startups, Big Techs companies and incumbents (Zambalaeva & Yang, 2020).

Digital currencies and Distributed Ledger Technology (DLT) plays a crucial role in retail payment services, as it help to facilitate certain retail payment transactions (such as e-commerce in cross-border transactions and peer-to-peer payments), with the provision of an easier, faster and a more suitable alternative to traditional payment methods for end users (such as online customers and merchants) (CPMI, 2015). However, the negative impact associated with the use of digital currencies arises from its operation. This has resulted to a number of policy issues for central banks and regulating authorities. The policy issues for central banks are centered on the payment system oversight, regulation, financial stability and monetary policy (Zambalaeva & Yang, 2020). The major concern for central banks engaging in Central Bank Digital Currency (CBDC) effort varies across central banks. From end users' perspective, providing a resilient and inclusive digital complement to physical cash should be an evidence of a successful retail CBDC (Carstens, 2021).

The adoption of digital currencies in the real estate sector is still a relatively new approach, with few real estate professionals in the developed countries been involved in these transactions (Zavoli, 2020). The use of digital currencies in real estate finance requires the introduction of blockchain technology. Transactions between the seller and buyers are supposed to be concluded

with the aid of blockchain technology, to increase transparency, reliability and ensure the acceleration of the documentation in real estate transaction. The legal framework to regulate the use of blockchain has not yet been established (Kalyuzhnova, 2018).

In UK real estate market, cryptocurrencies transactions raises concerns on issues for the customer due diligence checks that the 2017 Money Laundering Regulations impose on real estate agents (Financial Services, 2017). UK anti-money laundering (AML) system concerns include the risk of having untrained, inexperienced professionals deal with real estate transactions involving digital currencies (Chave, 2017). In US and Canada, the concern on money laundering risks associated with cryptocurrencies in real estate transactions could be attributable to lack of some pivotal traditional intermediaries (such as banks and financial institutions) (Harwick , 2016; Dingman, 2018, The Straits Times, 2018). Some cryptocurrencies like Bitcoins have significantly increased in value and prominence. The fact that some digital currencies (such as cryptocurrencies) with negative reputations that are not yet properly regulated, is dissuasive factor for real estate professionals to embrace the adoption for payment in real estate transactions (Zavoli, 2020). Therefore, the need for real estate professionals to receive more guidance and information from relevant regulatory agencies could encourage its adoption in real estate finance.

Real estate professionals are generally aware of the use of digital currencies in various sectors, with adequate knowledge of the prominence of some cryptocurrencies like Bitcoin (Zavoli, 2020). Various studies reported that the use of cyptocurrencies is considered a major issue for the UK real estate sector and a growing concern that requires a legislative and policy consideration (Brown, 2016; Wegberg, Oerlemans & Deventer, 2018). The Central Bank of Nigeria (CBN) has recently launched the issuance of Nigerian digital currency (e-Naira) which was the first in African continent, with policy guidelines to enhance payments efficiency and promote financial inclusion. To benefit from the advantages associated with the use of digital currency in the real estate FinTech, real estate professionals need to become aware of the value of payments efficiency and financial inclusion in real estate transaction. Therefore, it's pertinent for this study to appraise real estate professionals' perspective on the adoption of digital currency for real estate finance in Abuja, Nigeria.

## 2.0 Literature Review

Digital innovation in payment system (such as digital currencies) could transcend both traditional account-based money and physical cash to a digitalized form through electronic deposits on a digital ledger. Based on the adoption of Distributed Ledger Technology (DLT), digital currencies (most especially the cryptocurrencies) with an embedded decentralized payment mechanism are innovations that could have a series of impact on financial markets and the wider economy. These positive impacts include new digital innovative disruptions to business models in the modern financial systems that could increase the efficiency of retail payments (CPMI, 2015).

In retail payment services, digital currencies role help to facilitate retail payment transactions. The roles include cross-border transactions and peer-to-peer payments with an easier, quick and a more suitable alternative to complement traditional payment methods for the customers. More than 1,900 digital currencies are in existence (Zavoli, 2020). The prominence digital currencies include Bitcoin, Ethereum, Binance Coin, Cardano, Dogecoin, Tether, USD Coin, Polkadot, Solana, and XRP due to their profitability of investment in the global market (Nian & Chuen, 2015; Forbes, 2021). While Nigerian digital currency launched by the central bank (e-Naira) could as well be classified as the latest digital currency in the country.

The use of digital currencies in real estate transaction could attract some benefits such as reducing the cost of real estate transactions, cross-border trade facilitation, liquidity in real estate investing, financial inclusion, balancing the security of brick and mortar real estate with flexibility of cryptocurrencies, gaining attention in the press, monetary policy effectiveness, improved payment efficiency, remittance improvement, revenue tax collection, avoiding tax on transferring property rights, privacy when buying property, and targeted social interventions (Stewart, 2017; Onibalusi, 2017).

The study of Zavoli (2020) suggested a clear opposition of real estate professionals towards the use of digital currencies. The major concern expressed on money laundering challenges arising from the use of digital currencies in the real estate market include the anonymity of the transactions, the increasing digitalization of the market, and the lack of personal interaction with the real estate professionals (Nian & Chuen, 2015; Jones, 2018; Wegberg, Oerlemans & Deventer, 2018). Furthermore, the factors that negatively affect the checks by real estate agents

over digital currencies transactions are lack of technical skills and resources to perform in-depth checks on the identity of parties that want to buy real estate with digital currencies (Zavoli, 2020; Akinwamide, Oyetunji & Hahn, 2021). Studies on the use of digital currencies in real estate transactions are limited (Stewart, 2017; Kalyuzhnova, 2018; Zambalaeva & Yang, 2020), while few studies focused on the risk associated with the adoption (Zavoli, 2020). Irrespective of the risks concern on digital currencies, the relevance of digital innovations in the real estate global market has necessitated for the adoption of digital currencies in real estate FinTech to achieve financial inclusion and efficient payment system. In view of this, there is therefore a need to assess real estate professionals' level of awareness on the use of digital currencies in online transactions and its benefit in real estate finance.

### **3.0 Methodology**

Registered estate surveying and valuation firms authorized by the Nigerian Institutions of Estate Surveyors and Valuers (NIESV) were the target population for this study. Abuja FCT was chosen as the study area. The rationale for choosing the study area lies in the fact that, Abuja is the state capital of Nigeria and also one of the fastest developing cities in Africa experiencing a rapid economic boom in real estate sector. Structured questionnaires were purposively administered to 100 selected registered Estate Surveying and Valuation firms in Abuja FCT while all the retrieved questionnaires were found suitable for analysis. The questionnaire adopted 5-point Likert scale (i.e 1- Not Aware to 5- Extremely Aware) to assess the level of awareness of digital currencies for payment in online transaction and (1- Strongly Disagree to 5- Strongly Agree) its benefits in real estate finance in Nigeria. Data collected were analyzed using descriptive statistics (i.e weighted mean score, standard deviation and frequencies) for description and presentation.

### **4.0 Results**

The results generated from the data analysis were presented in this section. The socio-economic background of Estate Surveying and Valuation Firms in the study area are shown in Table 1 below.

**Table 1. Socio-economic Background of Estate Surveying and Valuation Firms in the Study Area**

<b>Background Information</b>	<b>Frequency</b>	<b>Percentage (%)</b>
<b>Years of Experience</b>		
1 – 5 years	12	12
6 – 10 years	32	32
11 – 15 years	36	36
15 years and Above	20	20
<b>Total</b>	<b>100</b>	<b>100</b>
<b>Rank</b>		
Principal partner	15	15
Branch Manager	20	20
Senior Surveyor	42	42
Junior Surveyor	23	23
<b>Total</b>	<b>100</b>	<b>100</b>
<b>Professional Qualification</b>		
ANIVS/RSV	94	94
FNIVS	6	6
<b>Total</b>	<b>100</b>	<b>100</b>

Table 2 above indicates that 42% of the respondents were senior surveyor, 23% were Junior Surveyor, 20% were branch manager and 15% were Principal partner of real estate firms in the study area. This implies that the majority of the respondent’s ranks in the real estate firms were senior surveyors. Professional qualifications indicated that 94% of the respondents were associate members of NIESV/ESVARBORN while 6% were fellow members. It is noteworthy that the majority of the respondents are professionally registered, affiliated and recognized by the NIESV and ESVARBON. Furthermore, all respondents had adequate work experience; 36% had experienced between 11 – 15 years, 32% had worked within 6 – 10 years, 12% within 1 – 5 years, while 20% had over 15 years of experience.

**Table 2. The Level of Awareness of Digital Currencies for Payment in Online Transaction**

<b>Digital Currencies</b>	<b>N</b>	<b>Mean</b>	<b>Std. Deviation</b>	<b>Rank</b>
Bitcoin	100	4.71	.537	1 <sup>st</sup>
Ethereum	100	4.60	.853	2 <sup>nd</sup>
Binance Coin	100	3.92	1.368	3 <sup>rd</sup>
Cardano	100	3.63	1.331	4 <sup>th</sup>
Dogecoin	100	3.57	1.008	5 <sup>th</sup>
Tether	100	3.33	1.319	6 <sup>th</sup>
USD Coin	100	3.28	1.215	7 <sup>th</sup>
Polkadot	100	3.03	1.291	8 <sup>th</sup>
Solana	100	2.74	1.368	9 <sup>th</sup>
XRP	100	2.69	1.293	10 <sup>th</sup>
e-Naira	100	1.84	.775	11 <sup>th</sup>
<b>Valid N (listwise)</b>	<b>100</b>			

Table 2 above shows the assessment of the level of awareness of digital currencies for payment in online transaction in the study area. Findings indicated that Bitcoin (4.71), Ethereum (4.60), and Binance Coin (3.92) were the most aware digital currencies for payment in online transaction with the rank of 1<sup>st</sup>, 2<sup>nd</sup>, and 3<sup>rd</sup> respectively. This implies that real estate firms are familiar with the frequent adoption of these digital currencies for payment in transacting of online businesses. Cardano with a mean score of 3.63 was ranked 4<sup>th</sup>, Dogecoin ranked 5<sup>th</sup> with a mean score of 3.57 followed by Tether with a mean score of 3.33 ranked 6<sup>th</sup> among the surveyed respondents. Furthermore, USD Coin with a mean score of 3.28 ranked 7<sup>th</sup>, Polkadot with a mean score of 3.03 ranked 8<sup>th</sup>, Solana with a mean score of 2.74 was ranked 9<sup>th</sup> among the digital currencies adopted for payment in online transaction. XRP and e-Naira were the least rated aware digital currencies for payment in online transaction in the study area. This could be attributable to the fact that e-Naira is the newest digital currency that has just being issued by the Nigerian Central Bank for the payment in online transaction.

**Table 3. The Perceived Benefits of Digital Currencies in Real Estate Finance in Nigeria**

<b>Benefits</b>	<b>N</b>	<b>Mean</b>	<b>Std. Deviation</b>	<b>Rank</b>
Cross-border trade facilitation (i.e Easier international and overseas transactions).	100	4.60	.603	1 <sup>st</sup>
Liquidity in real estate investing.	100	4.47	.771	2 <sup>nd</sup>
Financial inclusion.	100	4.36	.718	3 <sup>rd</sup>
Reducing the cost of real estate transactions.	100	3.94	1.179	4 <sup>th</sup>
Balancing the security of brick and mortar real estate with flexibility of cryptocurrencies.	100	3.78	1.276	5 <sup>th</sup>
Monetary policy effectiveness.	100	3.76	.842	6 <sup>th</sup>
Improved payment efficiency.	100	3.34	1.289	7 <sup>th</sup>
Remittance improvement.	100	3.28	1.181	8 <sup>th</sup>
Revenue tax collection.	100	3.01	1.219	9 <sup>th</sup>
Gaining attention in the press	100	2.88	1.343	10 <sup>th</sup>
Avoiding tax on transferring property rights.	100	2.78	.660	11 <sup>th</sup>
Privacy when buying property.	100	2.60	1.356	12 <sup>th</sup>
Targeted social interventions.	100	2.14	.792	13 <sup>th</sup>
<b>Valid N (listwise)</b>	<b>100</b>			

Table 3 above shows the perception of real estate firms on the benefits of digital currencies in real estate finance in the study area. Findings depicted that cross-border trade facilitation (4.60), liquidity in real estate investing (4.47), and financial inclusion (4.36) were the most perceived benefits of digital currencies in Nigeria real estate finance with the rank of 1<sup>st</sup>, 2<sup>nd</sup>, and 3<sup>rd</sup> respectively. This implies that the adoption of digital currencies among real estate firms would be beneficial for easier international and overseas transactions in real estate finance and investment in Nigeria. Reducing the cost of real estate transactions with a mean score of 3.94 was ranked 4<sup>th</sup>, balancing the security of brick and mortar real estate with flexibility of digital currencies ranked 5<sup>th</sup> with a mean score of 3.78 followed by monetary policy effectiveness with a mean score of 3.76 ranked 6<sup>th</sup> were also beneficial in real estate finance among the surveyed respondents. Furthermore, improved payment efficiency with a mean score of 3.34 ranked 7<sup>th</sup>, remittance improvement with a mean score of 3.28 ranked 8<sup>th</sup>, revenue tax collection with a mean score of 3.01 ranked 9<sup>th</sup> were also rated among the benefits of digital currencies in real

estate finance. Gaining attention in the press, avoiding tax on transferring property rights, privacy when buying property, and targeted social interventions were the least rated benefits of digital currencies in real estate finance in the study area.

## **5.0 Discussion of Findings**

The findings from the surveyed respondents indicated that Bitcoin, Ethereum, and Binance Coin were the most aware digital currencies for payment in online transaction while e-Naira with the lowest mean score depicted the least aware digital currencies for payment in online transaction. This could be attributable to the fact the launch of Nigerian digital currency (e-Naira) issued by central bank is yet to gain prominence for payment of online transactions in Nigeria. These findings are consistent with the study of Zavoli (2020) on the claim that Bitcoins have significantly increased in value and prominence. However, cross-border trade facilitation, liquidity in real estate investment, financial inclusion, and reduced cost of transactions were the most perceived benefits of digital currencies in real estate finance among the surveyed real estate firms in the study area. These findings are also in agreement with the study of Kalyuzhnova (2018) that the use of digital currency solves the problem of increasing the efficiency of financial payment with reduction in cost of transactions.

## **6.0 Conclusion**

Using Abuja as the case study area, this study has appraised real estate professionals' perspective on the adoption of digital currency for real estate finance in Nigeria. It's noteworthy that digital currencies such as Bitcoin, Ethereum, and Binance Coin were the most aware for payment in online transaction. However, e-Naira was rated least aware for payment in online transaction due to the fact that the issue of this digital currency has just being recently launched in Nigeria. Cross-border trade facilitation, liquidity in real estate investment, financial inclusion, and reduced cost of transactions were the most perceived benefit of digital currencies in real estate finance among the surveyed professionals. It can therefore be concluded that the adoption of Nigerian digital currency (e-Naira) for online payment in real estate transactions would be beneficial to achieve an effective financial inclusion, and easier international and overseas transactions in Nigeria real estate finance and investment. This study recommends that real estate professionals and firms should embrace the implementation of digital currencies to sustain the

future of real estate finance and investment, as transactions involving real estate become more diversified with the launch of digital currency (e-Naira) to stabilize the payment system in Nigeria.

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