Comparative Analysis of Cryptocurrency and Terrorism Financing in Nigeria and Kenya, 2020-2025

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Certification

This is to certify that Abdulmalik Olalekan OLADIPUPO with Matriculation number LCU/PG/002087 carried out this research work titled "Comparative Analysis of Cryptocurrency and Terrorism Financing in Nigeria and Kenya (2020-2025) in the Department of Politics and International Relations, Faculty of Management and Social Sciences,Lead City University, Ibadan, Oyo State, for the award of Doctor of Philosophy Degree (Ph.D) in International Politics and Diplomacy and that this has not been previously submitted.

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Dedication

I dedicate this thesis to Almighty God who has been my help, strength, wisdom, knowledge and understanding throughout this programme.

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Acknowledgement

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to all questions solicited in the Research Questionnaire.Although the institution and supervisors assisted in the research process, I alone am responsible for any errors found in the work.

Abstract

Rapid proliferation of cryptocurrency has posed significant challenges to global security, particularly in developing countries with high rates of cryptocurrency-related terrorism financing, such as Nigeria and Kenya, where terrorist organisations exploit its decentralised and pseudonymous features to fund their activities, thereby complicating traditional counter-terrorism financing frameworks. This study examines comparative analysis of cryptocurrency and terrorism financing in Nigeria and Kenya focusing on Policy Challenges and International Implications. The study objectives specifically investigate terrorist strategies, evaluate regulatory framework effectiveness, assess financing network transformations, analyse global financial system interconnections, and propose tailored policy solutions with international relevance while making use of Social Network Theory and Realism theory as its Theoretical framework. A mixed-methods research design was employed, integrating quantitative and qualitative approaches; the study sampled 103 participants, with 67 from Nigeria and 36 from Kenya, using purposive sampling techniques to ensure the selection of professionals with expertise in cryptocurrency regulation, counter-terrorism financing and cybersecurity, whilst data collection involved structured questionnaires, in-depth interviews with 11 key informants, and case studies, with quantitative data analysed using descriptive statistics, including mean, and percentage distributions with SPSS 27 software, and qualitative data examined through thematic analysis using NVIVO software. Findings reveal that terrorists exploit cryptocurrency's anonymity, with 59.70% ($\bar{X}$ = 0.60) of Nigerian and 61.11% ($\bar{X}$ = 0.61) of Kenyan respondents noting fund acquisition, and 62.69% ($\bar{X}$ = 0.63) and 66.67% ($\bar{X}$ = 0.67) confirming transaction concealment; the study demonstrates that the existing counter-terrorism financing frameworks in Nigeria and Kenya are ineffective in addressing cryptocurrency-enabled terrorism financing, as evidenced by 67.16% ($\bar{X}$ = 0.67) in Nigeria and 72.22% ($\bar{X}$ = 0.72) in Kenya reporting facilitation of international transactions, whilst financing shifts to digital networks, with 58.21% ($\bar{X}$ = 0.58) in Nigeria and 58.33% ($\bar{X}$ = 0.58) using exchanges. Local markets heighten global risks, with 67.16% ($\bar{X}$ = 0.67) and 72.22% ($\bar{X}$ = 0.72) noting financial system impacts, though policy solutions remain viable, with 74.63% ($\bar{X}$ = 0.75) in Nigeria and 83.33% ($\bar{X}$ = 0.83) in Kenya supporting security monitoring. The thematic analysis underscores Nigeria's P2P vulnerabilities and Kenya's mobile money gaps, corroborated by cases like Binance and Taliban financing. In conclusion, cryptocurrency markedly enhances terrorism financing through anonymity and local adaptations, rendering current frameworks ineffective and escalating regional and global security threats, necessitating advanced tools and interstate collaboration to address technological and regulatory disparities. The study recommends establishing a Diplomatic Cryptocurrency Intelligence Consortium under the African Union to deploy blockchain analytics, enhance multilateral intelligence sharing, and train diplomats in countering anonymity-driven strategies, alongside a Regional Diplomatic Technology Alliance to bridge technological gaps through forensic training and harmonised regulations, ensuring robust responses to this evolving threat in an interconnected world.

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List of Acronyms

Abbreviation	Meaning
AML	Anti Money Laundering
BIS	Bank for International Settlement
BTC	Bitcoin
BVN	Bank Verification Number
CBDC	Central Bank Digital Currency
CBN	Central Bank of Nigeria
CDS	Credit Default Swap
CPMI	Committee on Payment and Market Infrastructure
ESMA	European Securities and Markets Authority
EU	European Union
EUROPOL	European Police
FATF	Financial Action Task Force
FGN	Federal Government of Nigeria
FTFA	Financial Task on Anti Money Laundering
GDP	Gross Domestic Product
GPIs	Global Performance Indicators
GPIs	Global Policy Indexes

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ICT	Information Communication Technology
IMF	International Monetary Fund
ISIS	Islamic States of Iraq and Syria
ISWAP	Islamic State-West Africa Province
IR	International Relations
KYC	Know Your Customer
MMM	Mavrodi Mundial Moneybox
M- PESA	Mobile Money(Swahili)
NDIC	Nigeria Deposit Insurance Corporation
SNT	Social Network Theory
USA	United States of America
VASPs	Virtual Asset Service Providers (VASPs)
VECM	Vector Error Connection Model
US	United States
WAR	Western Money Remitted

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