

The Emergence of Cryptocurrencies in Zimbabwe: Obstacles and Opportunities for Official Adoption

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Abstract

Cryptocurrencies offer innovative financial solutions for regions with economic instability and limited banking access. This study examines their adoption in Zimbabwe, a country facing hyperinflation, economic uncertainty, and restricted formal financial services. The research explores challenges in Zimbabwe's financial sector, decentralised finance theories, and relevant literature to assess cryptocurrency adoption. Findings suggest cryptocurrencies could provide a stable, decentralised alternative, enabling secure value storage and low-cost cross-border transactions. However, adoption faces barriers such as restrictive regulations, poor digital infrastructure, and low public awareness. To address these challenges, the study recommends balanced regulations, digital literacy campaigns, and infrastructure investments. These measures could create a supportive environment for cryptocurrency adoption, positioning it as a viable solution for Zimbabwe's financial challenges. Using a systematic review approach, the study synthesises insights from peer-reviewed research, highlighting the broader potential of cryptocurrencies as transformative financial tools for emerging economies.

Keywords

Blockchain, Cryptocurrencies, Crypto Assets, Reserve Bank of Zimbabwe, Zimbabwe

1. Introduction

Zimbabwe, a country historically plagued by economic instability, hyperinflation, and limited financial access, presents a compelling case for exploring the potential of cryptocurrencies adoption. Cryptocurrencies offer a decentralized, transparent,

and efficient alternative to traditional financial systems, which have often failed to meet the needs of Zimbabwe's population. As a country where over 60 percent of the population remains unbanked (Mazorodze, Sibanda, & Tadu, 2022), and hyperinflation continues to erode trust in fiat currencies, cryptocurrencies such as Bitcoin have emerged as potential solutions for preserving value and facilitating cross-border transactions.

To be clear, scholarly analyses highlight the transformative potential of cryptocurrencies in fostering financial inclusion, empowering entrepreneurs, and enabling cost-effective remittances (Kabanda, 2021; Chitimira & Torerai, 2023; Chitimira & Torerai, 2023). In 2019, about 40,000 Zimbabweans were estimated to have been cryptocurrencies users throughout the country and the number was projected to amass to approximately 253,720 in 2025, with the projected revenue in the cryptocurrencies market for Zimbabwe at \$3.4 estimately. Zimbabwe ranks 103 in Chainalysis' report that records nations' cryptocurrencies use, trumping more than 50 nations. In Zimbabwe, the road to mainstream the adoption of cryptocurrencies is paved with challenges, which include, but not limited to, regulatory uncertainty, technological barriers, and concerns about security and volatility. While cryptocurrencies are often seen as a hedge against inflation and a means of access foreign currency and preserve value in an economic environment like Zimbabwe's, an over reliance poses risks. Cryptocurrencies, bitcoin, in particular, are prone to price fluctuations and a sudden market downturn could wipe out saving and cause financial distress. Khan also notes that if one loses his bitcoin wallet, he has lost all coins in that wallet.

It is against this backdrop that this article sets out to examine the dynamics of cryptocurrencies adoption in Zimbabwe, analysing its benefits, challenges, and necessary steps to create a supportive ecosystem for this emerging financial technology.

2. Conceptual and Contextual Issues

Cryptocurrencies, at their core, are digital assets designed to function as mediums of exchange, leveraging decentralized networks to execute transactions (Kabanda, 2021; Chitimira & Torerai, 2023). Unlike traditional financial systems that rely on centralized institutions such as banks, cryptocurrencies utilize blockchain technology, a distributed ledger system that records transactions across multiple computers in a secure, transparent, and immutable manner (Kabanda, 2021). Blockchain technology enhances trust and reliability in financial transactions, and this is important for a country like Zimbabwe where the members of the public have lost confidence on state institutions including the central bank.

Blockchain technology operates through a system of blocks that store data and are linked together to form a chain. Each transaction is verified through consensus mechanisms such as proof-of-work or proof-of-stake, ensuring that the system remains decentralized and resistant to manipulation. As Masama and Bruwer (2021) explain, this decentralization eliminates the need for intermediaries, sig-

nificantly reducing transaction costs and time delays. For nations like Zimbabwe, where cross-border remittances and trade are hampered by costly financial services, blockchain offers a viable solution. Additionally, the blockchain technology has the potential to transform other sectors of the economy including supply chain management, public administration, and healthcare. It can also improve service delivery, enhance accountability, and reduce corruption since it is a transparent financial system. In Zimbabwe, where public trust in governmental systems is often tenuous, the adoption of blockchain and cryptocurrencies could possibly provide a pathway to more effective governance. For instance, blockchain could be used to manage land records, election results, and public procurement processes, ensuring greater transparency and accountability.

However, despite its transformative potential, blockchain technology faces significant challenges in countries such as Zimbabwe. Among the most significant challenges is the lack of technical expertise and infrastructure, limited internet penetration, high costs of digital devices, and a general lack of understanding of blockchain concepts among the population (Mittal, Sharma, & Yaya, 2024). Moreover, the integration of blockchain in a number of Global South countries including Zimbabwe often raises regulatory and institutional concerns. As Chitimira and Torerai (2023) note, the absence of clear legal frameworks for blockchain and cryptocurrencies creates uncertainty for both innovators and potential users. Addressing these challenges requires targeted investments in education, infrastructure, and digital literacy. Viewed from this perspective, policymakers in Zimbabwe must strike a balance between fostering innovation and ensuring consumer protection. Without a supportive regulatory environment, the benefits of blockchain technology may remain out of reach for the majority of the population.

3. An Overview of Zimbabwe's Currency Crisis

Zimbabwe's economic trajectory has been marred by prolonged periods of instability, largely attributed to poor governance, corruption, and unsustainable monetary policies. The peak of these issues was witnessed during the hyperinflation crisis of 2008, where inflation rates reached an unfathomable 89.7 sextillion percent year-on-year, rendering the Zimbabwean dollar valueless (Masama & Bruwer, 2021). The hyperinflation crisis was so severe that it resulted in the government abandoning its currency in favour of a multicurrency regime, primarily dominated by the United States dollar. While this temporary measure stabilized the economy, it also brought its own challenges, such as cash shortages, constrained fiscal policy, and reduced economic competitiveness. Against this backdrop, cryptocurrencies emerged as an alternative financial instrument, offering Zimbabweans a way to preserve their wealth and transact without reliance on the failing traditional financial systems. As Kabanda (2021) notes, the decentralized and transparent nature of cryptocurrencies positioned them as a viable solution in a country with a history of mistrust in centralized institutions.

In 2018, the Reserve Bank of Zimbabwe (RBZ) issued a ban on cryptocurrencies

trading, citing concerns over fraud, money laundering, and the potential for cryptocurrencies to undermine monetary policy. The Reserve Bank of Zimbabwe's ban sought to protect consumers in a largely unregulated space, yet it inadvertently spurred underground trading and adoption. Peer-to-peer (P2P) platforms, such as Local Bitcoins and Binance P2P, became popular among Zimbabweans looking to circumvent the ban and access cryptocurrency markets (Chitimira & Torerai, 2023). Informal cryptocurrencies adoption grew steadily, driven by individuals seeking to hedge against inflation and access cross-border payment solutions. This grassroots movement underscores the resilience of Zimbabweans in adopting alternative financial systems despite regulatory hurdles. According to Masama and Bruwer (2021), the persistence of cryptocurrencies trading, even in an environment of regulatory hostility, highlights the strong demand for decentralized financial tools.

In 2019, the Zimbabwean government attempted to restore monetary sovereignty by reintroducing the Zimbabwean dollar as the sole legal tender. While this move was intended to address the limitations of the multicurrency system, it quickly backfired, leading to renewed hyperinflation, public outcry, and a loss of confidence in the local currency. Inflation once again eroded the purchasing power of ordinary Zimbabweans, forcing many to look for alternative means of preserving value. Cryptocurrencies, particularly Bitcoin, emerged as a popular choice due to their decentralized nature and resistance to inflationary pressures (Liu, Goni, & Mitha, 2022). The volatility of the Zimbabwean dollar highlighted the need for stable, reliable financial instruments, further fuelling the interest in digital assets. Cryptocurrencies provided a haven for individuals seeking to protect their wealth from the devaluation of local currency, as well to participate in the global economy. Driven by the country's economic woes, the general population in Zimbabwe has shown a nuanced and evolving understanding of cryptocurrencies. However, a vast number is still not familiar with the new technologies. In his research, (Mazikana, 2018) notes that even "banking management and employees are not familiar with latest technologies and information interpretation which facilitates the adoption of cryptocurrencies". In his study Mazikana established that banks have diverse understandings of cryptocurrency. While most define it as a form of electronic money, other interpretations exist, indicating a lack of a clear, unified meaning within the banking sector. Consequently, Zimbabwean banks haven't yet adopted cryptocurrencies and lack relevant policies. This varied understanding suggests that cryptocurrency activities and practices will likely differ across individual banks. These findings mirror a global trend identified by Hileman and Rauchs (2017), who also observed that banks globally attribute various meanings to cryptocurrencies.

Driven by the country's economic woes, the general population in Zimbabwe has shown a nuanced and evolving understanding of cryptocurrencies. (Mazikana, 2018) notes that Zimbabwe's reliance on remittances from its diaspora, coupled with the country's extensive cross-border trade networks, has made efficient and

cost-effective payment systems essential. Remittances, which constitute a significant portion of Zimbabwe's GDP, are often hindered by high fees and slow transaction times when processed through traditional financial systems. Cryptocurrencies present a transformative solution to these challenges. Blockchain technology enables near-instantaneous transactions at a fraction of the cost of traditional remittance services, bypassing the need for intermediaries like banks and money transfer operators. The widespread adoption of cryptocurrencies for remittances among the Zimbabwean diaspora is a testament to their practicality in addressing these long-standing issues. For small-scale cross-border traders, cryptocurrencies also provide a means to transact without the limitations imposed by currency shortages and exchange controls. This has further cemented the role of digital currencies as a tool for economic empowerment.

Despite the growing use of cryptocurrencies in Zimbabwe, public scepticism remains a significant barrier to widespread adoption. Many Zimbabweans associate cryptocurrencies with scams, fraud, and speculative risks, fuelled by a lack of understanding and the absence of consumer protection mechanisms. These perceptions are compounded by the Reserve Bank of Zimbabwe's initial ban, which framed cryptocurrencies as a risky and illegitimate financial tool (Chitimira & Torerai, 2023). Kabanda (2021) emphasizes that this scepticism can only be addressed through targeted public education campaigns that demystify cryptocurrencies and highlight their potential benefits. Educational initiatives should aim to build trust by focusing on the security, transparency, and utility of blockchain technology. Without widespread understanding and acceptance, cryptocurrencies may struggle to transition from niche adoption to mainstream use in Zimbabwe.

As cryptocurrencies adoption continues to grow, the need for a clear and supportive regulatory framework has become increasingly apparent. The absence of comprehensive regulations creates uncertainty for both users and innovators, deterring institutional investors and hindering the development of a robust cryptocurrencies' ecosystem (Chitimira & Torerai, 2023). A balanced approach to regulation is necessary to address concerns around fraud, money laundering, and consumer protection while also fostering innovation. Countries like South Africa and Nigeria have demonstrated the potential benefits of regulatory frameworks that promote cryptocurrencies adoption while mitigating risks. Zimbabwe can draw lessons from these examples to create a conducive environment for digital finance. Collaboration between regulators, the private sector, and civil society will be essential in shaping policies that align with global best practices while addressing the unique challenges of Zimbabwe's financial landscape.

4. The Global Trends

The Group of Twenty (G20) Crypto-asset Policy Implementation Roadmap FSB (2024) notes that total crypto-asset market value rebounded rapidly in late 2023 and early 2024. After reaching a peak in March, it started to decrease but remains above 2023 levels. As of 30 August 2024, the estimated market value was US\$ 2.2

trillion. This was largely driven by the price increases of bitcoin and ether—which represent almost 80 percent of the crypto-asset total market value. Since then, the total market value has remained largely unchanged. It is now close to its previous peak, reached in November 2021, but remains a small portion (less than 1 percent) of global financial system assets. This is a very lucrative market with potential for growth and there is a need for African states, particularly Zimbabwe, to take advantage of this technology and adopt it to improve its economy, although there are a number of fundamental issues that need to be addressed before the technology can be implemented or adopted fully.

The Group of Twenty (G20) Crypto-asset Policy Implementation Roadmap, FSB (2024) further indicates that the implementation of policies and regulation for crypto-assets continues to be highly relevant. The linkages between crypto-asset markets and core financial markets are currently limited but increasing. In addition, the financial industry is evolving, with asset managers and banks experimenting with distributed ledger technology (DLT), including tokenisation, in ways that can potentially alter the market structure. At present, distributed ledger technology-based tokenisation does not pose a material risk to financial stability but has its own financial stability vulnerabilities. These developments also could introduce complex regulatory and systemic risk challenges, as the interconnectivity between traditional financial systems and the volatile crypto-asset market could become more pronounced in the future. This evolving landscape demands robust regulatory frameworks to mitigate risks while harnessing potential benefits of increased efficiency, accessibility, and innovation in the financial sector. The volatility of the cryptocurrencies market is a key concern when it comes to the use and adoption of the technology in traditional financial systems. Users, clients, bankers, customers and financial systems will need protection from inconsistent drops and bursts in value of cryptocurrencies because an unstable currency will result in negative consequences for economies especially the Zimbabwean economy which is already fragile.

Adrian (2024) notes that, “Crypto assets have implications for macroeconomic and financial stability that are mutually interactive and reinforcing”. Therefore, a comprehensive policy and regulatory response is necessary to address the risks of crypto assets. At the IMF, a key part of our mandate is the safety and soundness of the international monetary system, as well as global macroeconomic and financial stability. While crypto markets do not currently pose a risk to financial stability in most jurisdictions, adoption of crypto assets tends to be higher in emerging markets and low-income jurisdictions. Widespread adoption of crypto assets in these countries could undermine the effectiveness of monetary policy, circumvent capital flow management measures, exacerbate fiscal risks, and divert resources from financing the real economy. We must remain vigilant to the growth of crypto asset markets, and their interlinkages with incumbent financial institutions.” The International Monetary Fund has noticed the trend of a significant increase in adoption of cryptocurrencies and some of its main concerns are effects on mone-

tary policies and fiscal risks associated with the technology, especially relating to existing financial systems and institutes. The emphasis is on the need to put in place regulatory frameworks which encourage and promote adoption but at the same time putting in place safeguards to prevent the negative effects of the use of crypto-assets and cryptocurrencies.

5. Cryptocurrencies and Africa

Cryptocurrencies, since their development, have gained popularity and adoption across the globe and Africa is part of this wave. Despite the slow adoption of the technologies due to several reasons, there are African countries which are leading the pack when it comes to the use, regulation, adoption and promotion of this technology in their jurisdictions. South Africa and Nigeria are examples of such African countries, and they are still looking for ways to balance and adopt these technologies in a manner that promotes economic growth while protecting their citizens and maintaining economic stability.

As [Ukwueze \(2021\)](#) noted, there is no legislation in Nigeria that prohibits the use of or dealing in cryptocurrencies. Even the recent directive of the Central Bank of Nigeria (CBN) to financial institutions to cease dealing in them has not rendered dealing in cryptocurrencies unlawful. It is a mere administrative direction to the regulated institutions, which can attract only administrative sanctions against the institution, although it is intended to make it difficult for persons in Nigeria to deal in cryptocurrencies. Without doubt, nothing stops Nigerians or persons in Nigeria who have foreign bank accounts from dealing in cryptocurrencies using their foreign accounts, and such persons would not be deemed to have committed any offence under Nigerian law. Without an express ban of conduct, be it an act or omission, such conduct is deemed to be permitted under the law. This stance by the regulator of the banking sector in Nigeria illustrates that the state is taking a more relaxed approach to the regulation of crypto currencies where it wants to evaluate the environment before making laws, statutory instruments and pronouncements.

Furthermore, [Ukwueze \(2021\)](#) posits that, the initial attitude of the relevant regulatory authorities in the Republic of South Africa (RSA) to the emergence of cryptocurrencies was the same as that of their Nigerian counterparts: scepticism and caution. On 18 September 2014 the National Treasury (NT), the South African Reserve Bank (SARB), the Financial Services Board (FSB), the South African Revenue Service (SARS) and the Financial Intelligence Centre (FIC) jointly issued a statement warning the public about the risks of dealing or investing in virtual currencies. The caution was premised on the absence of a legal and regulatory framework and the lack of consumer protection laws. It specifically drew attention to the risks and challenges of virtual currencies, which include that their platforms are prone to operational risks and that they are susceptible to misuse. This is the same attitude of most African governments when it comes to cryptocurrencies, issuing of warning but not making stringent legislation, because of the fear of be-

ing left out of the crypto revolution or stifling innovation in the financial services sector.

The African Union High-Level Panel on Emerging Technologies called on governments, businesses and individual businesses to explore the utilisation of appropriate alternative blockchain-based payment systems such as mobile money, cryptocurrencies, and peer-to-peer payment systems to facilitate cross-border trade for context-specific needs of countries. The African Union, scholars and global funding institutions encourage a non-restrictive approach through its task force on emerging technologies to African governments (Laubscher & Khan, 2020; McPherson-Smith, 2024).

The African Union High-Level Panel on Emerging Technologies encouraged African countries to explore, where appropriate, the adoption of cryptocurrency, a digital or virtual currency that relies on cryptography technology for enhanced security. The panel drew attention to the distinct advantages of cryptocurrency. Transactions are highly secure due to the implementation of cryptographic protocols. Secondly, transactions are processed much faster compared to traditional bank transfers. Moreover, the fees associated with cryptocurrency transactions are currently lower, enhancing affordability. Moreover, cryptocurrency is accessible to anyone with a mobile device and internet access, regardless of their geographical location or financial status. These are some of the recommendations of the African Union High-Level Panel on Emerging Technologies made to African countries regarding the treatment of and use of cryptocurrencies. They indicate a slant towards promotion of technology more than risk mitigation or scepticism of it.

Despite all these advantages and positives that come with cryptocurrency adoption, two foundational issues which Africa is grappling with are the challenge of power generation and supply as well as digital infrastructure since this technology will require a lot of electricity and internet in order for it to be used effectively. The African continent remains dependent on digital facilities, and internet access is still very limited in some regions. In the Central African Republic for example, about 15 percent of the population has access to electricity and 9 out of 10 residents have no access to the Internet. This presents serious challenges for the effective adoption of cryptocurrencies because if 9 out of 10 have no access to the internet it means they will also struggle to access cryptocurrency platforms as well (Ntonga Efoua et al., 2024; Okorie, Gnatchglo, & Wesseh, 2024).

Sub-Saharan Africa also faces chronic power supply problems (insufficient generation capacity, poor connectivity, low reliability and high costs). The electricity generation capacity of the 48 sub-Saharan African countries is around 80 gigawatts (GW), which is less than the generation capacity of South Korea. If South Africa were excluded from it, the region's overall generating capacity would be halved. As for the Central and West Africa regions, they have the world's lowest rates of access to electricity: around 42 percent for the total population and only 8 percent for the rural population. This puts Africa in a position where it will be

difficult to reap any benefits from the adoption of cryptocurrencies due to lack of the foundational infrastructure needed to support the technology (Ntonga Efoua, et al., 2024).

Power shortages are estimated to result in significant economic losses for the country, 6.1 percent of GDP annually. The economic strain imposed by electricity shortages, especially in the industrial sector, has been evident through a reduction in current operations. These effects cause decreased economic growth and household incomes. With Zimbabwe's energy demand reaching about 2500 MW while the production capacity is still limited to less than 1500 MW, there is a need for more energy initiatives beyond the current enacted policies in the country to curb the problem of energy demand. Zimbabwe is already struggling to meet its current electricity demand by 1000 MW which has resulted in massive cuts in supply of power particularly to households. This has had an effect on the growth of the economy due to reduced levels of productivity, hence to even think about the adoption of cryptocurrencies there is need for massive boosts in the generation and supply of electricity which might mean looking at even other sources of power generation other than the conventional ones (Akpan et al., 2024).

6. Advantages of Cryptocurrencies

Zimbabwe's largely unbanked population, which accounts for over 60 percent of the country, faces limited access to traditional financial services due to the lack of physical banking infrastructure and stringent eligibility requirements for opening accounts (Mazorodze et al., 2022). Cryptocurrencies offer a transformative solution by enabling individuals to participate in the financial system using only smartphone and internet access. This democratization of financial services addresses a critical gap in Zimbabwe, where rural communities and marginalized populations have long been excluded from formal banking channels. Kabanda (2021) highlights that blockchain technology, the foundation of cryptocurrencies, eliminates the need for centralized intermediaries, allowing users to transact directly and securely. Additionally, cryptocurrency wallets do not require the rigorous documentation often demanded by banks, making them more accessible to those without formal identification. By leveraging cryptocurrencies, Zimbabwe's unbanked can not only save and transfer money but also access global financial systems, fostering economic inclusion and stability.

Zimbabwe's history of hyperinflation, particularly during the 2008 crisis and subsequent periods, has eroded trust in the local currency. In such an environment, cryptocurrencies, particularly Bitcoin, have emerged as a viable store of value. Often referred to as "digital gold," Bitcoin's limited supply of US\$ 21 million coins makes it inherently deflationary, reducing the risks of devaluation faced by fiat currencies. Liu, Goni, and Mitha (2022) note that during times of heightened economic uncertainty, Zimbabweans have increasingly turned to Bitcoin to preserve their purchasing power. Unlike fiat currencies, which can be printed in unlimited quantities by central banks, cryptocurrencies operate on transparent

supply mechanisms governed by blockchain protocols. This makes them less susceptible to the inflationary pressures that have historically plagued Zimbabwe's monetary system. Moreover, cryptocurrencies allow individuals to diversify their assets into stable global markets, protecting their savings from local economic turmoil and providing financial resilience.

Cross-border payments and remittances are vital to Zimbabwe's economy, with millions of Zimbabweans living abroad and sending money to support families back home. However, traditional remittance services such as Western Union and MoneyGram often charge exorbitant fees, reducing the amount of money received by recipients. Cryptocurrencies offer an efficient and cost-effective alternative. By eliminating the need for intermediaries, blockchain technology facilitates near-instantaneous transactions at significantly lower costs. Mazikana (2018) argue that these advantages make cryptocurrencies particularly appealing in Zimbabwe, where the high cost of financial services has long been a barrier to economic participation. For instance, a Bitcoin transaction sent from the United States to Zimbabwe can cost a fraction of what traditional remittance services charge and be completed in minutes, compared to the days required by conventional systems. This efficiency not only benefits individual users, but also small businesses engaged in cross-border trade, enabling them to reinvest savings into their operations and grow their enterprises.

Cryptocurrencies have the potential to empower Zimbabweans by fostering economic independence and enabling participation in the global economy. Historically, access to international markets has been limited for Zimbabwean entrepreneurs due to currency restrictions, trade barriers, and limited financial infrastructure. Cryptocurrencies address these issues by providing an open, borderless financial system that allows micro-entrepreneurs and small businesses to transact with international clients without relying on banks or other traditional intermediaries. Burns (2022) emphasizes that digital currencies open doors for individuals in underserved regions, enabling them to engage in global trade and e-commerce. For example, a craftsperson in Zimbabwe can sell their products to buyers abroad and receive payment in cryptocurrencies, bypassing the challenges of currency conversion and international banking fees. This empowerment extends beyond financial transactions; it also includes the ability to access decentralized financial services such as lending, borrowing, and savings products, which can help individuals and businesses build wealth over time.

Another significant advantage of cryptocurrencies is their inherent transparency and security, which can address some of the systemic issues in Zimbabwe's financial ecosystem. Blockchain technology records all transactions on a decentralized ledger, making them traceable and virtually tamper-proof. This level of transparency reduces the risks of fraud and corruption, which have historically plagued financial systems in Zimbabwe. This feature makes cryptocurrencies particularly attractive for individuals and businesses seeking secure and reliable methods of transacting. For example, remittances sent through cryptocurrencies

provide a clear record of the amount transferred, the sender, and the recipient, ensuring accountability. Moreover, the security protocols of blockchain technology, such as encryption and multi-signature wallets, offer users protection against unauthorized access and cyber threats (Beck & Muller-Bloch, 2017; Kabanda, 2021).

The adoption of cryptocurrencies can also foster financial independence for individuals and communities in Zimbabwe. Unlike traditional banking systems that may freeze accounts or impose restrictions during times of political or economic crisis, cryptocurrencies provide users with full control over their funds. This decentralization ensures that individuals can access and use their money without interference from external entities. As Mazorodze et al. (2022) highlight, this financial autonomy is especially important in a country like Zimbabwe, where political and economic instability has led to instances of restricted access to bank accounts and currency shortages. By enabling people to manage their finances independently, cryptocurrencies can help build resilience against future economic disruptions.

7. Challenges of Adopting Cryptocurrencies

One of the most significant challenges to cryptocurrencies adoption in Zimbabwe is the lack of a comprehensive regulatory framework. Cryptocurrencies exist in a legal grey area, with the government and the Reserve Bank of Zimbabwe (RBZ) expressing scepticism and, at times, outright hostility toward digital currencies. In 2018, the Reserve Bank of Zimbabwe banned financial institutions from facilitating cryptocurrencies transactions, citing concerns over fraud, money laundering, and the destabilization of the local currency (Chitimira & Torerai, 2023). While this ban has not completely deterred grassroots adoption, it has stifled institutional interest and innovation in the sector. Regulatory ambiguity fosters an environment of mistrust and discourages businesses and investors from participating in the cryptocurrency's ecosystem. Without clear legal guidelines, cryptocurrencies risk being associated with illicit activities, further alienating potential users and stakeholders. For cryptocurrencies to thrive in Zimbabwe, policymakers must establish a balanced regulatory framework that fosters innovation while addressing risks such as financial crime and consumer exploitation.

The adoption of cryptocurrencies in Zimbabwe is also hindered by technological limitations. Access to reliable internet connectivity and digital devices is limited, particularly in rural areas where most of the population resides. The digital divide in Zimbabwe is a significant barrier, preventing many people from accessing the benefits of blockchain technology and cryptocurrencies. While urban centres may have relatively better access to internet services and smartphones, these remain out of reach for large segments of the population due to high costs and infrastructure challenges. Furthermore, the lack of digital literacy compounds the problem, as many potential users lack the knowledge and skills to use cryptocurrencies platforms effectively. Addressing these barriers requires significant invest-

ments in telecommunications infrastructure and the implementation of nationwide digital literacy programs. Without these initiatives, the benefits of cryptocurrencies are likely to remain confined to a small, urbanized demographic, leaving rural and marginalized communities excluded (Kabanda, 2021; Sajitha, 2001; Ntonga Efoua, Efogo, & Mvodo, 2024).

The security risks associated with cryptocurrencies pose another significant challenge to their adoption in Zimbabwe. As decentralized digital assets, cryptocurrencies are vulnerable to hacking, scams, and the loss of private keys, which serve as the sole means of accessing one's funds. Unlike traditional banking systems, cryptocurrencies lack centralized authorities that can reverse fraudulent transactions or recover lost funds. Masama and Bruwer (2021) emphasize that the absence of robust consumer protection mechanisms in Zimbabwe exacerbates these risks, deterring potential adopters who may fear losing their investments. Additionally, the prevalence of scams and Ponzi schemes involving cryptocurrencies has further eroded trust in technology. To address these concerns, there is a need for stronger security measures, including education on safe cryptocurrency practices, the promotion of secure wallet solutions, and the establishment of regulatory oversight to crack down on fraudulent activities.

The inherent price volatility of cryptocurrencies is another significant obstacle to their adoption as a stable means of exchange in Zimbabwe. Unlike fiat currencies, which are backed by governments and central banks, the value of cryptocurrencies is determined by market dynamics, leading to frequent and unpredictable price swings. While cryptocurrencies like Bitcoin have gained popularity as speculative assets and stores of value, their volatility undermines their utility for everyday transactions. For example, a small business in Zimbabwe that accepts Bitcoin payments may find that the value of its earnings fluctuates dramatically within a short period, making financial planning and stability challenging. This volatility creates uncertainty for users and businesses, limiting the practicality of cryptocurrencies in daily economic activities. Stable coins—cryptocurrencies pegged to stable assets like the US dollar—offer a potential solution to this challenge, but their adoption in Zimbabwe remains limited due to regulatory and infrastructure constraints (Corbet et al, 2019; Liu, Goni, & Mitha, 2022; Ozili, 2025).

8. Recommendations

- **Clear and Supportive Regulations:** The government must take proactive steps to clarify the legal status of cryptocurrencies and establish clear guidelines for their use.
- **Licensing Framework:** Establish a licensing framework for cryptocurrencies exchanges and service providers to ensure transparency and accountability.
- **Consumer Protection:** Enact regulations to protect consumers from fraud, scams, and market manipulation.
- **Taxation Policies:** Develop clear tax policies for cryptocurrencies transactions to promote legal and transparent activities.

- Internet Access: Invest in expanding and improving internet connectivity, particularly in rural areas.
- Digital Literacy: Implement educational programs to enhance digital literacy and financial awareness among the population particularly relating to cryptocurrencies.
- Financial Infrastructure: Foster the development of local cryptocurrencies, which properly incorporate digital wallets, mobile payment systems, and secure online platforms.
- Public Education: Launch public awareness campaigns to educate the public about the benefits and risks of cryptocurrencies.
- Collaboration with Financial Institutions and regional partners: Encourage collaboration between traditional financial institutions and cryptocurrencies service providers to facilitate seamless integration and adoption.
- Research and Development: Support research and development in blockchain technology and cryptocurrencies to explore innovative solutions to Zimbabwe's currency challenges.
- Innovation Hubs: Accelerate and increase the development of innovation hubs to foster collaboration between developers, entrepreneurs, and financial institutions.

9. Conclusion

The adoption of cryptocurrencies in Zimbabwe offers a transformative opportunity to address long-standing financial challenges such as limited financial inclusion, hyperinflation, and the high costs of cross-border transactions. While the decentralized and transparent nature of blockchain technology holds immense potential for fostering economic empowerment and innovation, significant barriers—including regulatory uncertainty, technological limitations, and public scepticism—must be overcome. By establishing a balanced regulatory framework, investing in digital infrastructure, enhancing public awareness, strengthening security measures, and fostering regional collaboration, Zimbabwe can create an enabling environment for cryptocurrencies to thrive.

Conflicts of Interest

The authors declare no conflicts of interest regarding the publication of this paper.

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