

Impact of Crypto-currency on Emerging Market Focus on Gulf countries

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Abstract: Crypto-currency is a form of digital currency embracing the use of the block chain technology where each transaction is automatically recorded over digital ledgers maintained by the different users connected to their various servers. Crypto-currency has introduced a safer, cheaper and convenient mode of transacting requiring lesser procedural requirements for the individuals transacting over this mode of currency. Gulf States are recognized as emerging markets mostly embracing the growth of the various emerging economic revolutions. The study focuses on the revolutionary introduction of crypto-currency in the Gulf States and how it impacts their economies. Safety, efficiency, and trust in crypto-currency have enabled the development and revolutionary of the economic market in the Gulf States. Dubai, a member of the UAE has reported the embracement of the crypto-currency introducing their own form of crypto-currency “emCash” to aid in the various governmental and non-governmental functions. Crypto-currency development in the Gulf States have resulted to both beneficial results as well as some drawbacks exonerated onto the banking systems of the region. Favorable properties of the crypto mode of currency make the currency most preferable over the initial fiat currency which is still prevalent in most economies.

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Introduction

Crypto-currencies exist as means of electronic money designed to be quicker, cheaper and more reliable than the usual fiat currency. The currency is created electronically and technologically controlled for its transactions and protection while hiding the various identities of users operating the transactions. Crypto-currency operates in technological operations where individuals do not need to rely on external firms to store the money for them. Individuals have the ability to transact directly with huge sums of money hence its affordability and flexibility since does not require any middlemen to complete the transactions. Crypto-currency uses sophisticated coding to improve the security of the transaction where each individual in a transaction can simultaneously record and verify owns transactions and each of any other individuals.

Cryptocurrency improves the trustiness in the conduction of business transactions since the transacting partners do not need to trust some bank or any depositing institution since he or she is able to see and track all the business transactions involved. Cryptocurrency is quite sufficient since it gets rid of any mistrust issues probably between the business partners and does not need any disclosure of users' identity (D'Alfonso, 2016). Transactions recording all over the world in the various digital records maintained by people across the globe make it virtually impossible to manipulate data hence making

the mode of the transaction very safe. Blockchain technology creates permanent, secure digital recordings which do not rely on a single person or group. Crypto-currency uses blockchain technology having different unrelated individuals maintaining blockchain records simultaneously hence immediate updates on transaction carried out in the system.

Gulf States offers the best business conditions found in the world's emerging markets, based on a combination of market access, risk, regulation, foreign investments, urbanization and the rapid growing of technological systems. Countries in the Gulf have the best combination of infrastructure, transport connectivity as well as administrative functions. UAE is strategically located geographically as a transit hub linking the east and the west. Infrastructure investment and structural reforms improve the business climate in these states making the growth of the crypto-currency in the economy quite sufficient.

Impact of crypto-currency on Gulf States

Gulf countries are gaining traction on crypto-currency from the low cost and relative secure virtue transactions properties offered by the mode of payment. Different sectors in the Gulf countries are embracing the growth of the crypto-currency as it grows through the market. Crypto-currency seems to be quite embraced in the Gulf States where even the government is tending to move onto blockchain

maintaining of ledgers. The GCC accounting on the various substantial proportions of remittances on the various sectors, incorporating of the crypto-currency would be quite advantageous and efficient for the handling of business transactions. Foreign remittances in the Gulf countries incorporate huge sums of money

transacted on the worldwide market through the various different transacting firms. Introduction of the crypto-currency simplifies the transaction processes and makes them quite quicker and efficiently safe as compared to dealing with fiat currency.



Crypto-currency 'Bitcoin' NYSE level % change

Streamlining of the transactions

Transacting on the worldwide scale can be quite tedious and challenging despite the existence of the various trusted international money transfers. The process of transacting especially using huge sums of money requires various steps of verification for the facilitation of the whole process. Introduction of "Bitcoin" a form of crypto-currency gets rid of all the tasks required in the process of verification and makes it easier and convenient to transact the huge sums of amounts with less much authentication. The transactions through the crypto-currency are easily completed within the shortest time possible without disclosure of users identity hence the most secure and non-alterable form of transaction. Crypto-currency avails a form of trust free mode of transaction where either of the individuals is not scared of transacting since the system evaluates if each party honors his or her part of deal before completing the transactions. Crypto-currency is always available and open for transactions despite the time of the day hence its convenience and reliance for open and emergency transactions. Accuracy on the algorithm used in the creation of the blockchain for the crypto-currency makes the form of transaction safer and free from any

form of manipulation (D'Alfonso, 2016). Trading activities carried out in the electronic form ensures the process is quicker and free from any manipulation since the bitcoin community is able to trace and track through its unique form of the blockchain.

Ease transactions processes

Embracement of the crypto-currency in the Gulf States made a great business impression since it eased the mode of handling business in the area despite the geographical location of the individual. Adoption of the crypto-currency ensures transactions were streamlined and quicker without any location or distance hindrance since it only requires connectivity to the various servers. The inefficiency of the banking systems in the handling of business transactions in the emerging markets of the Gulf States is remedied by the presence of a satisfying currency effective and efficient for each individual in the business world. The inefficiency of the banking system in emerging states makes transactions quite expensive especially for unbanked individuals who cannot afford the banking fees of the various financial institutions. Banks services tend to be accessible by the elite in those societies hence the high transactions fees for the many

unbanked individuals. Crypto-currency existence makes it convenient and cheaper to transact without the need of an individual to be banked hence growth and helping of the less fortunate population. Undercut transaction fee will promote trading activities in the states since the cost of transacting is cut down from the usual higher charges of the unstable financial markets in the Gulf countries. Conversion of the crypto-currency into any form of currency is quite effective and cheaper done instantaneously over the block chained transactions executed by the cryptography technology.

Transparency of the transactions

Incorporation of the crypto-currency into governmental financial policies will enable the liberation of the various governmental units from any ill-forms of corruptions or misappropriation. The blockchain technology is well established to ensure different virtual users maintain various ledger books of transactions carried out throughout the space. Embrace of the crypto-graph technology by some of the Gulf States will ensure the protection of public resources hence efficient delivery of service by the public resources. Misappropriation of any funds in the government will be cut short since there will always be a chain of distribution for the different transactions (D'Alfonso, 2016). Technological representation of the crypto-currency makes it quite hard to manipulate hence reducing the fraudulent activities prevalent in governmental units. Tamper proof model of the blockchain technology ensures the protection of public

entities from any malicious individuals who might have intentions. Reduced rate of corruption is reported after the incorporation of the sophisticated technology since there are always records of footprints left behind all transactions carried out.

Economic growth

Introduction of state-sponsored crypto-currency in Dubai has enabled the rapid growth in the Fintech economy, having the State embracing the recent form of currency in its governmental functions. The different organizations and partners came forward to introduce "emCash" a form of crypto-currency to enable citizens in the UAE pay for the various governmental and non-governmental units efficiently and effectively for the carrying out of business operations. Launching of the "emCash" made Dubai to be historically first to embrace the developing technology of blockchain. Legal tendering of the currency in the State encouraging its embracement have streamlined the funding and carrying out of the various services efficient for both governmental units and non-governmental units (Clowes, 2017). Since crypto-currency is flexible, convenient and secure, service delivery using the form of currency have sprout contributing to the rapid growth of the economy in the UAE. The growth of the "emCash" reported Dubai as one of the most progressive nations in the world in terms of embracing digital currency.

Graphical representation on Bitcoin (crypto-currency) growth in two years.

Bitcoin Miracle Surges 645% in Two Years Value in USD



Diverse growth of industries in the region has been reported from the introduction of the crypto-currency. Businesses have embraced the innovative technology with many business partners choosing the region as the perfect hub to carry out their business activities. Developing firms in the region are ambitious of the dream already set out for them through the growth of the life-changing currency (Clowes, 2017). Crypto-currency creates a whole new economic ecosystem for the businesses to run on because of the various benefits reported from the technology. Development of the crypto-currency project harnessed the development of the blockchain technology promoting cheap, secure and faster means of carrying out transactions for both governmental businesses and individuals alike. Advancement of innovative business ideas from the Gulf States as a result of the changing business model has promoted creativity in the various sectors since investors from all regions are enticed to join on the new development of the money economy in the UAE. Different private and public-sector driven initiatives have explored the use of the digital currency in their various transactions.

Strengthening operation functions

Different governmental units have reported operations embracing the use of the block chain technology in the safeguarding of the various legal entities and important documentation. Crypto-currency utilizes the block chain technology hence its safe, convenient and reliant property because of the electronic ledger keeping. Different Gulf States have turned into utilizing the initial technology of the crypto-currency to develop their various systems into reliable, safe and cheaper form of information recording. Safe keeping of the various public utilities and governmental entities ensures the smooth running of the economy without the much disruption of the various untraceable transaction and information relating to the contracts. Presence of smart contract features by crypto-currency has resulted in excellent results of successful completion of government contracts awarded and transacted through this form of digital currency. Efficient delivery of services over the block chain technology ensures contractors are competent in their operations since they are able to view the various channeling of the funding for their project. Technological safety of the crypto-currency ensures the contractor has honored part of the deal as agreed before the transaction is complete hence preventing any form of insubordination in contractual agreements.

Negative impact

However good a system is, there always exists the downside of development of the technology. Crypto-currency growth in the Gulf States comes along with the various reported shortcomings attributed by this model of digital currency. Speculation on the growth of illegal money laundering over the dark web is the most prevalent in the Gulf States since the crypto-currency property of maintaining anonymity is linked with the criminal affiliations. Banking sectors as well as the governmental monetary tools will fail in relevance as a result of the growth of crypto-currency.

Illegal insight

Growth of the dark net in the region is posed to be more prevalent based on the tolerance of the development of the crypto-currency. This form of digital currency is quite anonymous and its users are untraceable hence the encouragement of the development of the darkweb transacting. Fraudulent activities are encouraged by the growing crypto-currency since money exchange on the digital currency is impossible to trace from the rightful owner and the receiver in the partnership. The government is therefore prone to loose tract on the manipulation and control of the economic monetary policies. Complete transparency and difficult to manipulate this form of currency is quite a threat to the government regulation. Dark web activities are prone to develop in the Gulf States because of the existence of a connection to reach out to the various darknets as well as the presence of the untraceable form of payment done through the digital form of block-chain technology. Tax evasion which is a cost to the State will be quite rampant from the use of the digital currency. Anonymous transactions carried out in the crypto-currency enables unpatriotic individuals to easily evade taxes since they would lie of their daily businesses transactions as there are no prevalent records relating them to their form of business operations.

Recent growth of the crypto-currency is potentially threatening the existence of banks and their operations. Banking operations tend to be disrupted since the digital currency introduces a new and easier way to facilitate cross-border transactions. Different individuals will turn onto the convenient, easier and cheaper way of transacting hence exiting the usual commercial banks which present various impediments in delivery of business transactions especially on cross-border transactions. Cryptography technology of having the multitude control the value of the digital currency from the traffic created and its decentralized property, where no individual is required in the control

of the currency automatically dismisses the functions of commercial banks.

Crypto-currency comes up with the rampant risks raised from the regulatory issues exhibited by the form of currency. Crypto-currency poses to be quite difficult for regulation because of its decentralized nature. Lack of control over the trading and dissemination of the various financial assets in the crypto-currency makes it difficult for the financial institutions to control the fiscal policies. This form of digital currency is independent on its own making hence, the relevance of the banking system downgraded and individuals' preference on the less regulated module of transacting their businesses. Gulf States will lose traction of the money flow in the economy through the embracement of the crypto-currency hence prone to unpredictable market balancing.

The rising new technological advances in the GCC regions have enabled the development of the crypto-currency which exists as a form of digital currency regulated by the digital community. Development of the crypto-currency has resulted to threaten the supremacy of fiat currencies which usually are manipulated by both political and economic forces. Since crypto-currency is an independent form of currency unaffected by any form of market forces, different countries in the Gulf region are choosing to embrace the currency over the usual fiat currency. Some Gulf States are into making necessary measures to incorporate the crypto-currency module of currency on their financial markets posing a threat to the existence and workability of the fiat currency. Approve of the crypto-currency by the higher authorities encourage even the reluctant partners to join in the embracement of the new form of money. The great developmental move of turning into the digital currency jeopardizes the value of existing fiat currencies hence lowering the worthiness of existing money in the market.

Diplomatic issues

Growth of the crypto-currency in the Gulf States has resulted to developing diplomatic rampages in some regions. Qatar suffers as the recent victim of diplomatic crisis, where the different neighboring Gulf States disintegrated from the diplomatic ties previously held with the state. Reported cases of funding activities to the terrorism sects through the form of digital currency placed Qatar in a tied position between Saudi Arabia, UAE, and other neighboring states. The yet unsolved puzzle of the recorded transactions to the criminal activities has really affected the existence of the Qatar state which relies on the different neighboring states for supplies as well as transportation networks. Failed diplomacy in the

Gulf States makes it quite difficult in good relations with the growth and development of inter-border trade activities hence affecting the trade returns. Interference with diplomatic benefits is quite a major blow on the Qatar existence who blames the allegations on some sought of hacking on their systems. Presence of the crypto-currency form as digital money makes it quite risky for affiliation with the various illegal and criminal groupings since they encourage dealings with the form of money which offers anonymity in transactions.

Wider economic impact could be felt in the Qatar region if there are no recent forms of actions on the existing diplomatic crisis in the region. Various sectors will be faced with quite a huge impact as expectant from the recent panics all-round the various sectors of the Arab State. Differentiated views in the form of using crypto-currency are quite a stumbling block for the creation of good relations in the states. Investors power and loyalty depends on the diplomatic state of a country, hence the recent arising issues will result in the pulling out of various investors in the economy crumbling operations in the state.

Conclusion

Crypto-currency is relatively doing well in emerging markets rather than on already developed economies. The various properties posed by this form of digital currency make it quite a convenient tool for handling businesses in emerging markets. Un-reliance of crypto-currencies on financial institutions makes the mode of transaction quite convenient since individuals are open to transact online at any time for exchange. Lesser procedural requirements required in the doing business with crypto-currencies make it quite a suitable tool for transactions by any individuals despite their banking status. Cheaper transactional cost with the use of crypto-currency has promoted the growth of trading activities across borders in the Gulf States embracing the movement from the traditional mode of currency into the recent crypto-currency. Security of the blockchain technology supports the integration of various individuals' accounts and increasing trustworthiness in the system rather than the individual transacting with. Record keeping in the blockchain technology makes it quite safer and reliable source of information for the existing value of an individual willing to undertake a business operation. Crypto-currency comes along with its own drawbacks though could be easily remedied with various improvements in the near future since the currency is yet in early stages of development.

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