

# Cryptocurrency In The Gcc Economy

Marwan Mohamed Abdeldayem, Saeed Hameed Aldulaimi

**Abstract:** Bitcoin has risen as the best cryptocurrency ever. Inside two years of its tranquil dispatch in 2009, Bitcoin developed to involve billions of US dollars of financial incentive regardless of just careless examination of the framework's plan. In the meantime an enormous and lively open-source network has proposed and sent various adjustments and augmentations. However, the GCC region remains unexplored in terms of cryptocurrency research. Hence, we provide the first survey on cryptocurrency in the GCC economy. In this exploratory study, we used an online questionnaire survey that was collected from 610 individuals and investors from all Gulf countries namely: Bahrain, Kuwait, Oman, Saudi Arabia and UAE. The research instrument consists of 24 different questions that measure respondents' opinions and attitudes toward cryptocurrency in the GCC. The findings reveal that most respondents in the GCC have heard or read about cryptocurrencies such as Bitcoin or Ethereum. However, a vast majority of them (85%) do not own cryptocurrency. In addition, investing in cryptocurrency is more risky and less profitable than investing in the stock market. Also, if cryptocurrency is government regulated but remained intangible, it would increase their interest in cryptocurrency, and in near future i.e. within 5 years, cryptocurrency will be worth more than today.

**Keywords:** Cryptocurrency, Bitcoin, Blockchain, Fintech, Stock Market, GCC Economy

## 1. INTRODUCTION

Bitcoin is a cash of encryption or computerized exchanging on the web just, with no physical nearness. It showed up in 2009 by a Japanese programming engineer. The most significant angles that make Bitcoin unique in relation to the customary monetary forms is the nonattendance of a national bank, no sequential number or even a sorting out body for this money. Notwithstanding, Bitcoin can be utilized as some other cash to purchase on the web or even convert it whenever into customary monetary forms. It contrasts from different monetary standards in that it isn't given by a focal power like the customary money gave by the national banks and can in this manner be exchanged the type of coins or paper [1], [2] The normal component of these diverse cryptocurrency frameworks is the open record "blockchain" that is shared between organize members and the utilization of local tokens as an approach to boost members for running the system without a focal position. Notwithstanding, there are huge contrasts between some digital forms of money concerning the degree of development showed. Most of cryptocurrencies are to a great extent clones of Bitcoin or different digital currencies and just element distinctive parameter esteems. These digital forms of money demonstrate practically zero advancement and are regularly alluded to as "altcoins". Models incorporate Dogecoin and Ethereum Classic [3] By time, request may increment and the estimation of the cryptocurrency will ascend against the US dollar, as its generation bit by bit diminishes every year. It is normal that nearly 20 million will be created before the finish of 2024, and afterward generation will be diminished to 21 million units before the finish of 2140. Henceforth, Bitcoin might be utilized later on to dodge the money related emergency of the customary cash and could be considered as a place of refuge, for example, gold and other place of refuge monetary standards [4]

Hileman and Rauchs [5] in their compressive study gathered information from cryptocurrency organizations and associations crosswise over 38 nations and five world areas. More than one hundred cryptocurrency organizations and associations just as 30 individual diggers participated in this study. The study concludes that:

- The present number of interesting dynamic clients of cryptocurrency wallets is assessed to be between 2.9 million and 5.8 million.
- At least 1,876 individuals are working all day in the digital currency industry,
- Between 5.8 million and 11.5 million wallets are evaluated to be presently "dynamic".
- 70% of huge miners rate their impact on convention improvement as high or high, contrasted with 51% of little miners.

## 2. CRYPTOCURRENCY IN THE GCC

The uplifted enthusiasm for cryptocurrencies over the Gulf is occurring close by worldwide endeavors to both manage advanced resources and draw in cryptocurrency firms. The costly money related focuses of New York and London apply conventional budgetary assistance guidelines to the cryptocurrency space. Less expensive, less-directed purviews give less securities to speculators. Bahrain and Abu Dhabi are endeavoring to outline an elective course that consolidates solid administrative security with appealing speculation motivating forces. ZPX, a Singapore-based cryptocurrency firm, evaluated that setting up a firm in Bahrain would cost around \$200,000, though comparable arrangement costs in London could reach \$750,000. Crypto-resource trades in Abu Dhabi Global Market must compensation an underlying approval charge of \$125,000 and yearly supervision expenses of \$60,000. In addition, financial policymakers in Bahrain are pushing to depict the nation as the Middle East's head cryptocurrency center. On July 2018, the Bahrain-based cryptocurrency trade "Rain" reported that it had gotten the first completely controlled, inland cryptographic money trade in the Middle East and North Africa and had shut a \$2.5 million subsidizing round. Rain obtained a Crypto-Asset Module administrative permit from the Central Bank of Bahrain, following graduation from

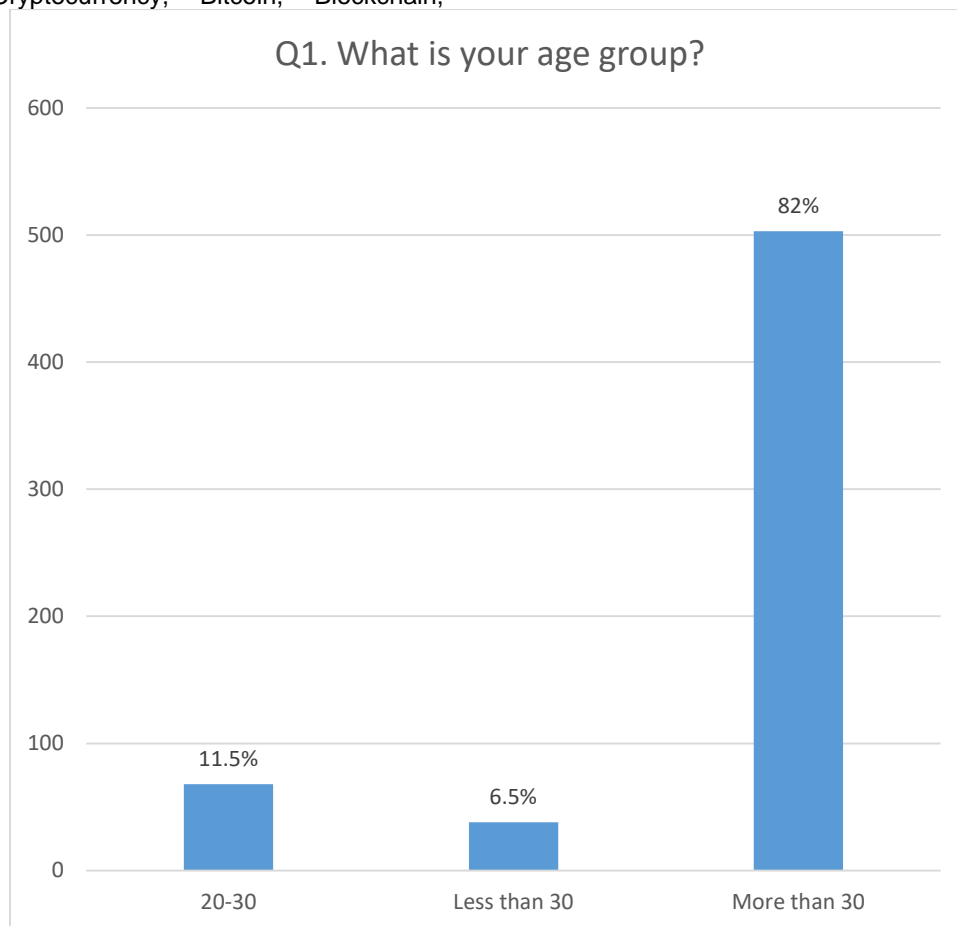
- Marwan Mohamed Abdeldayem is currently the professor of Business Finance in Cairo University, Egypt and College of Administrative Sciences, Applied Science University (ASU), Kingdom of Bahrain. Email: [Marwan.abdeldayem@asu.edu.bh](mailto:Marwan.abdeldayem@asu.edu.bh)
- Saeed Hameed Aldulaimi is currently the professor of Business Management in College of Administrative Sciences, Applied Science University (ASU), Kingdom of Bahrain. Email: [Saeed.aldulaimi@asu.edu.bh](mailto:Saeed.aldulaimi@asu.edu.bh)

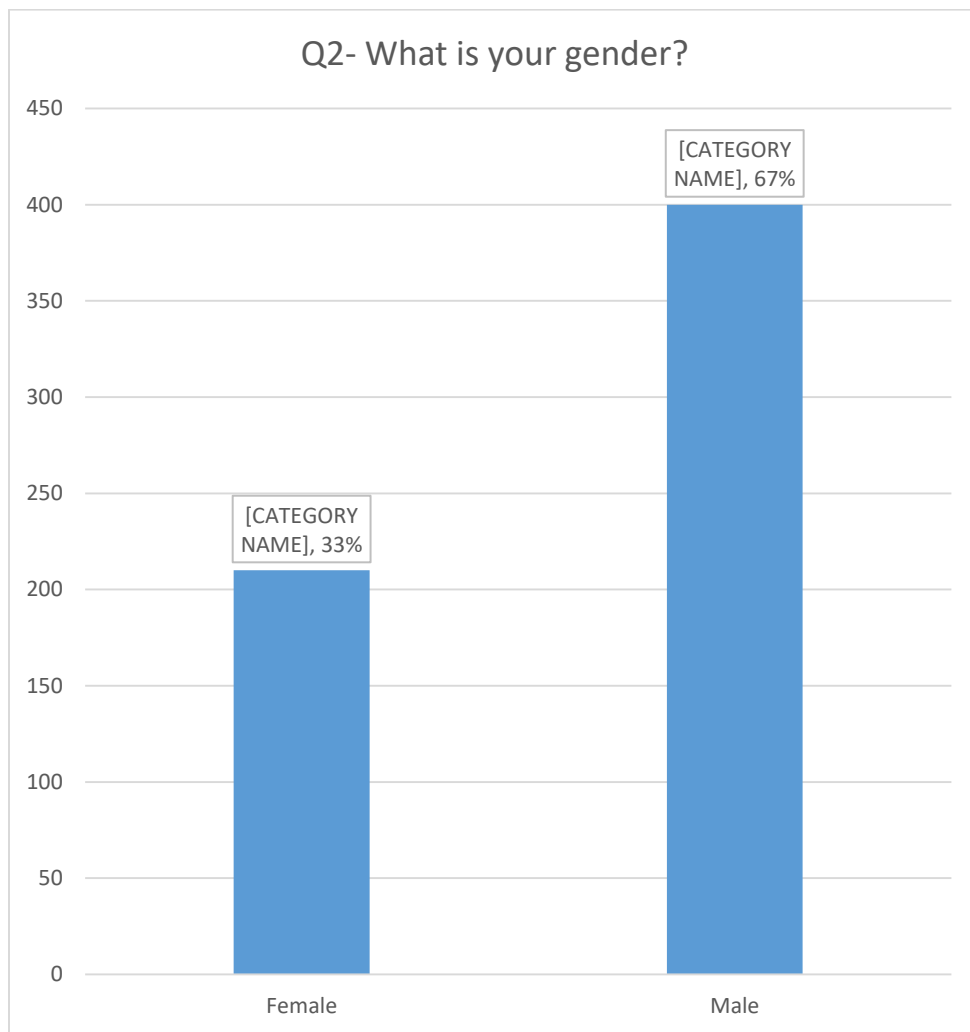
the national bank's Regulatory Sandbox program (a virtual space for authorized money related foundations and different firms to test their tech-based arrangements), and got a sharia-consistence endorsement. Rain works inside Bahrain Fin-Tech Bay, a money related innovation centered collaborating space and quickening agent that gets financing from Bahrain's Economic Development Board, the nation's national bank, and around 35 private patrons. Bahraini government controllers work intimately with business visionaries: Personnel from the national bank have workplaces in Bahrain Fintech Bay. Other Gulf countries have taken a preventative, sit back and watch way to deal with digital forms of money or cryptocurrencies.

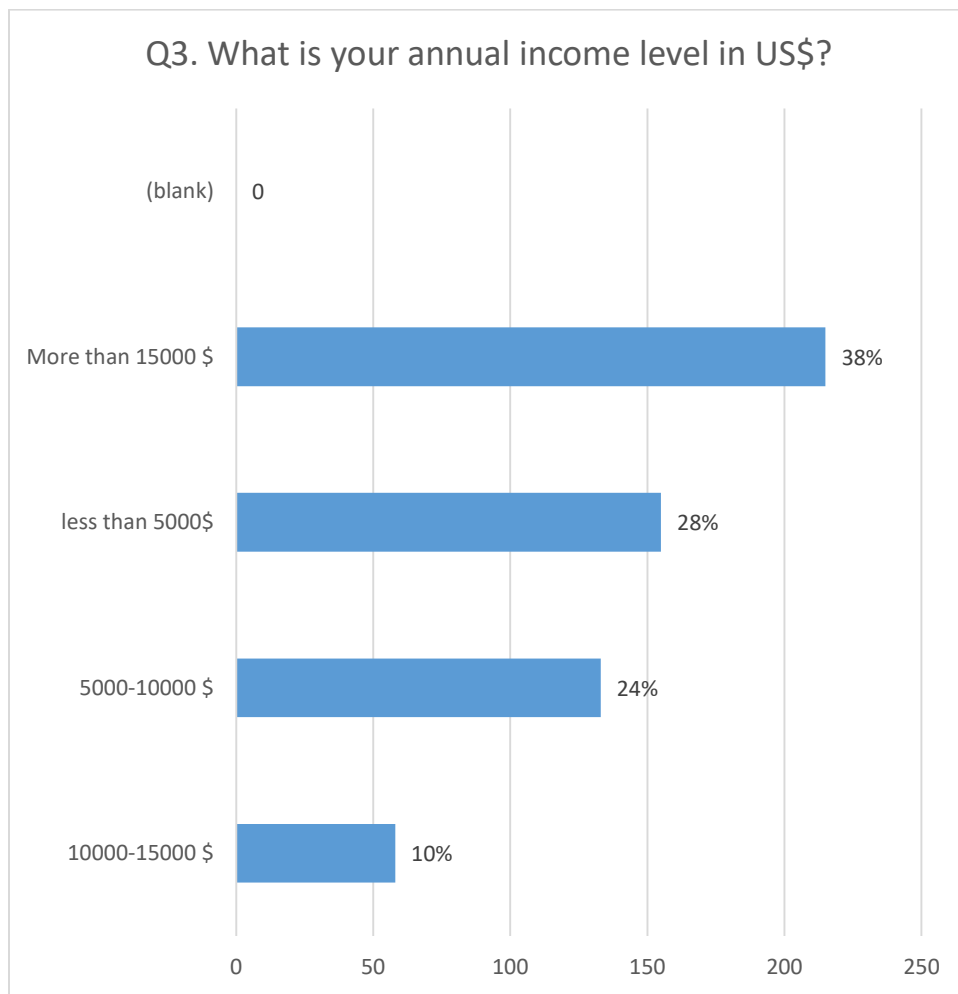
### 3. METHODOLOGY

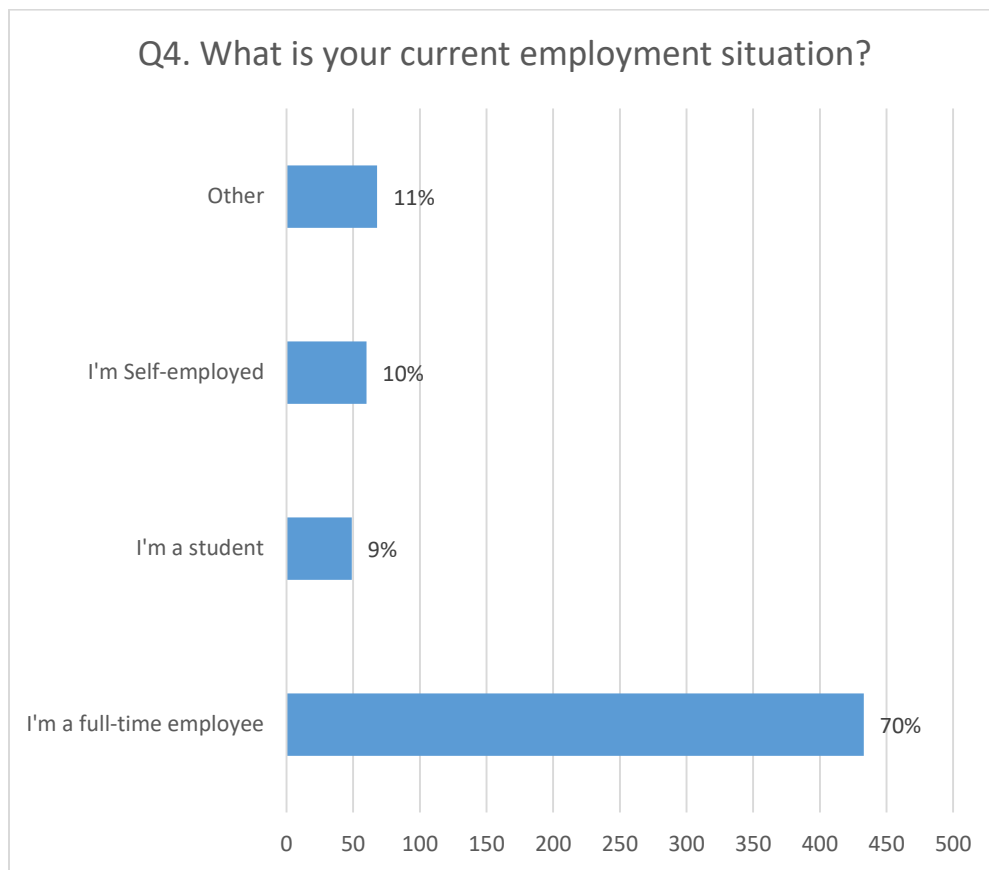
This exploratory study was conducted by reviewing the past studies, literature review. Keywords were used for the search include Cryptocurrency, Bitcoin, Blockchain,

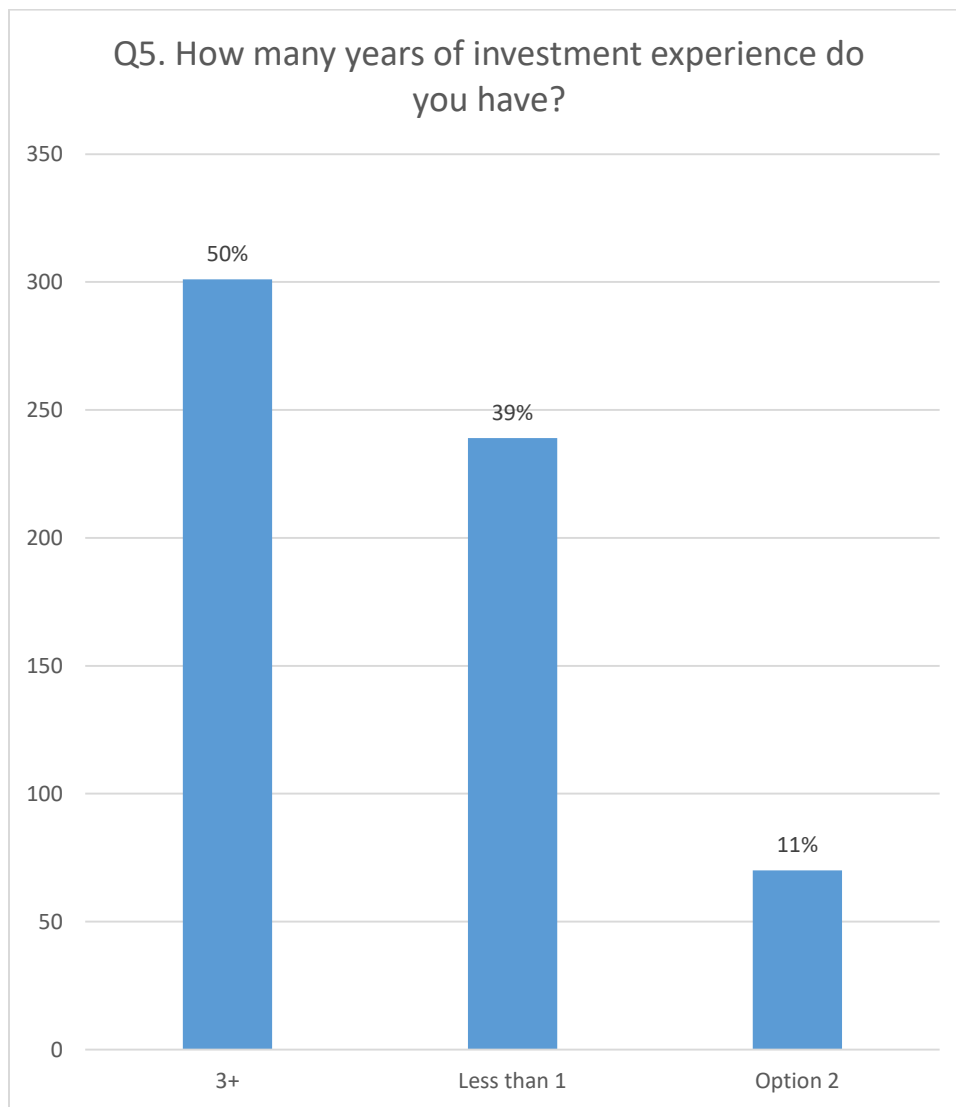
Fintech, GCC Economy. Although several studies were found on cryptocurrency, such as: [3], [4], [5], [6], [7], most of them focused only on Europe and the USA. Hence, this study is the first of its kind to study the cryptocurrency in the Middle East and particularly in the GCC, as this part of the world seems to be neglected in terms of cryptocurrency research. In this study, we used an online questionnaire survey that was collected from 610 individuals and investors from all different Gulf countries namely: Bahrain, Kuwait, Oman, Saudi Arabia and UAE from October to December, 2019. The research instrument consists of 24 different questions that measure respondents' opinions and attitudes toward cryptocurrency in the GCC. In order to achieve the purpose of this exploratory study, we used descriptive statistics to analyze the data. The following graphs including bar charts and pie charts illustrating and summarizing the main results.









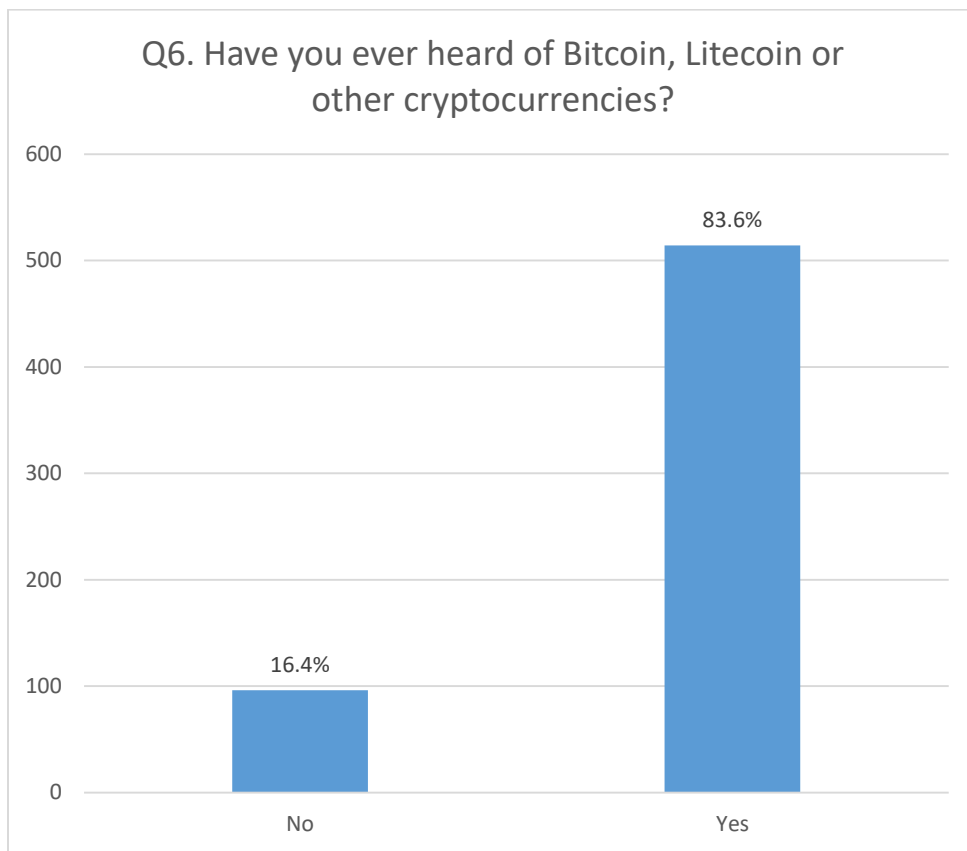


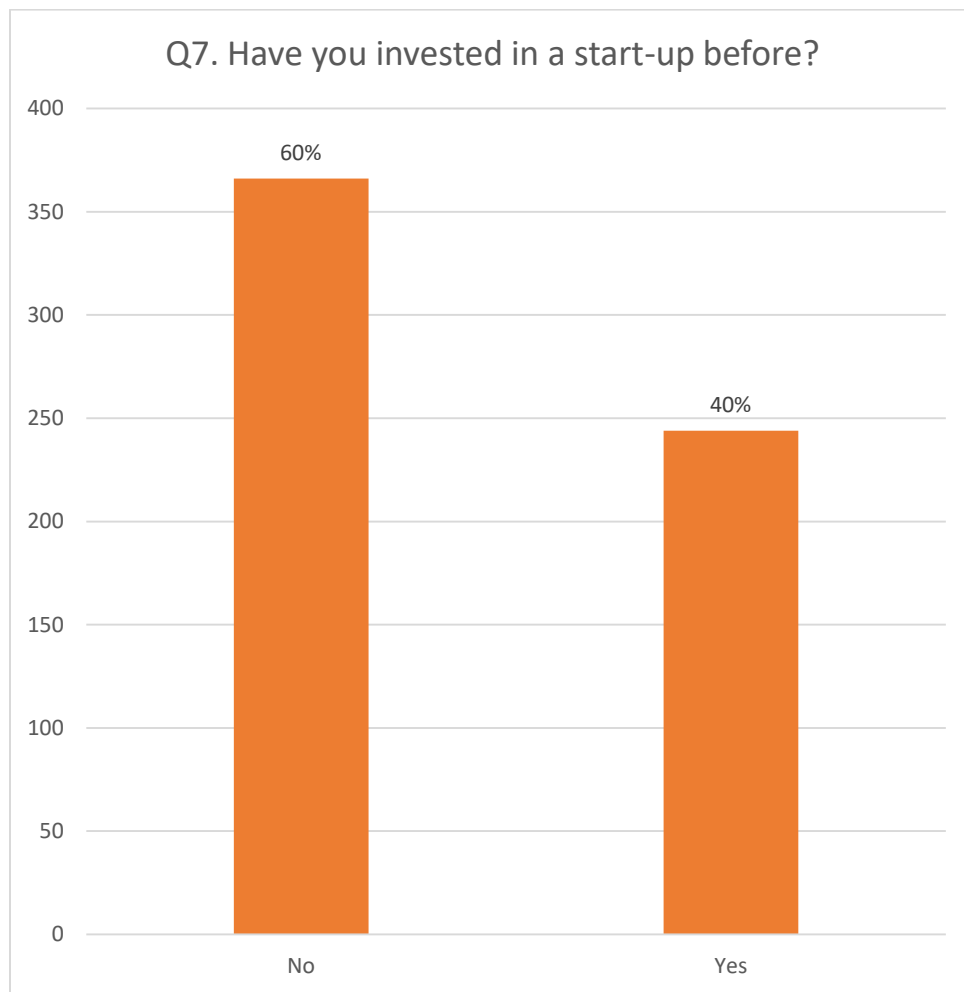
#### 4. PROFILE OF RESPONDENTS

As mentioned earlier, we provide the first survey on cryptocurrency in the GCC economy. Hence, we used a questionnaire survey that was directed to 610 individuals and investors from all different Gulf countries: Bahrain, Kuwait, Oman, Saudi Arabia, and UAE. The vast majority of respondents (82%) are more than 30 years old indicating that mature people in different Gulf countries are much more interested in cryptocurrency as compared to young people in this area. About two thirds of these respondents (67%) are males and the remaining 33% are females. The highest response rate of our questionnaire survey is from Bahrain (31%), followed by the UAE (21%) and Saudi

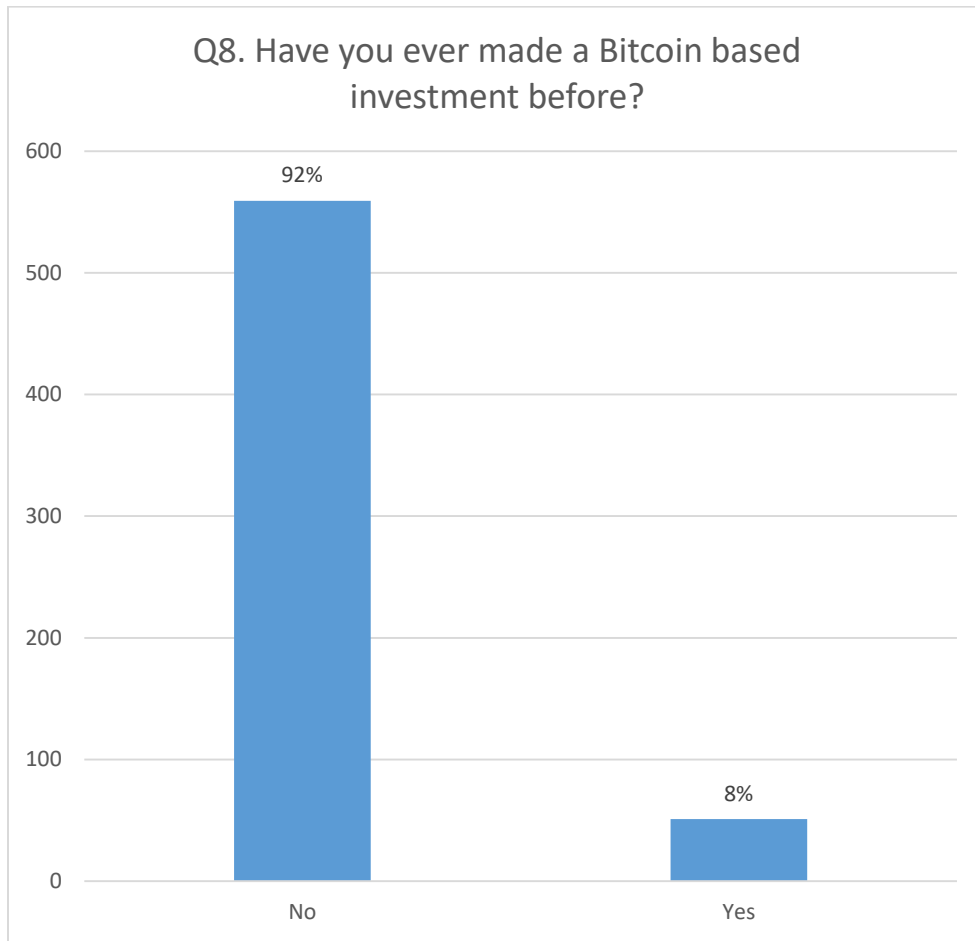
Arabia (19.6%), while the lowest response rate (5.5%) is from Oman. A good percentage of respondents (38%) are of high annual income level (more than 15000 US\$) since average income in most Gulf countries tend to be more than other countries in the Middle East. Further, most respondents (70%) are full time employees, 10% are self-employed and 9% are students.

Half of respondents (50%) have a resendable investment experience (more than three years of investment experience) indicating that our questionnaire survey was directed to respondents that are aware of investment in the GCC and therefore could perhaps be able to provide opinions on cryptocurrency in the GCC economy.



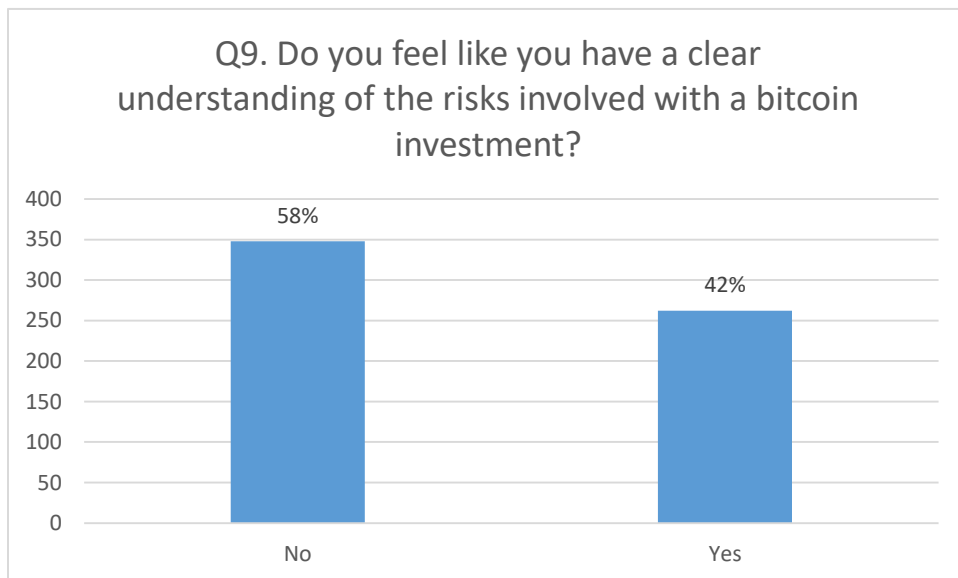






The most important disadvantage in this currency and the rest of the currency encryption is the issue of confidentiality, where the lack of regulatory body stands behind them means that they are very attractive to owners of illegal acts, in particular the money laundering. In this study, an overwhelming majority of respondents (83.6%) indicated that they have heard of Bitcoin or other cryptocurrencies

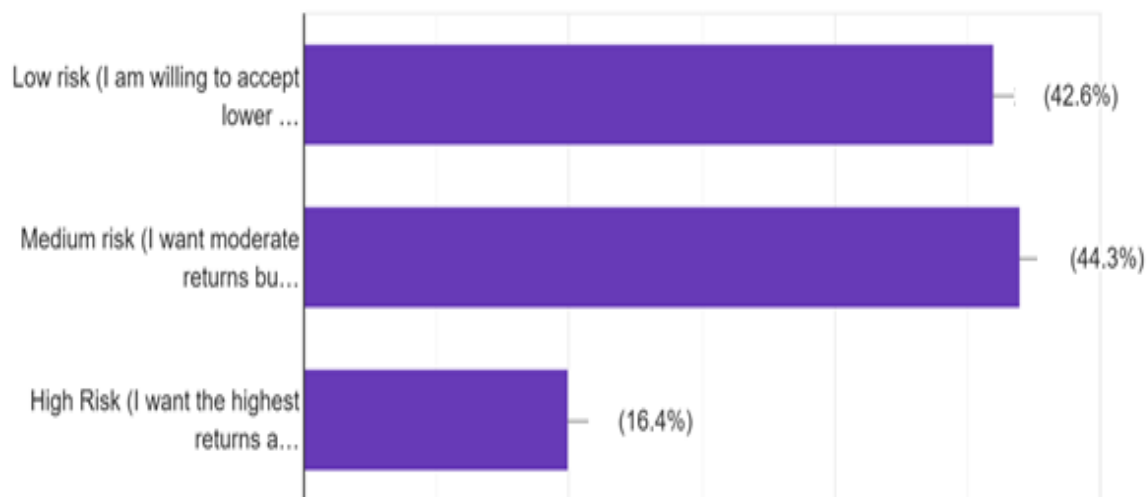
indicating the high awareness level of Gulf people in relation to cryptocurrency in the GCC economy. Nevertheless, only 40% of respondents have invested in a startup business before and a small portion (8%) have made a Bitcoin based investment.

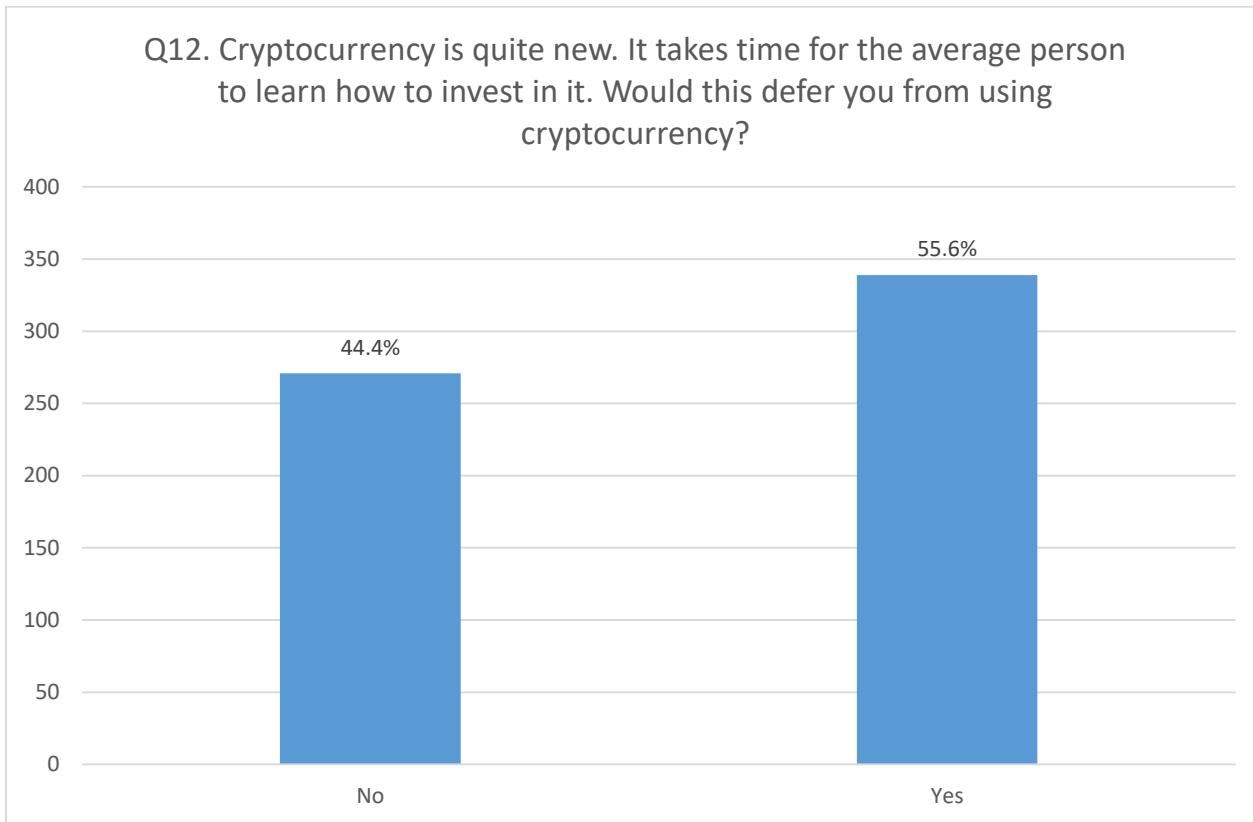


Most respondents (58%) feel like they have a clear understanding of the risks involved with a Bitcoin investment. They are also aware of the technicality of cryptocurrency and realize that Bitcoin is a code produced by a particular encryption calculation and a hexadecimal

configuration. This cash is put away in an uncommon document called "wallet". Regardless of the foggy scene of this money and the resistance of certain nations to utilize it as an unregulated association, then again it has been perceived by certain nations as a cash, for example, Japan.

### Q11. What category would you say best describes your investment goals? (Check all that apply)

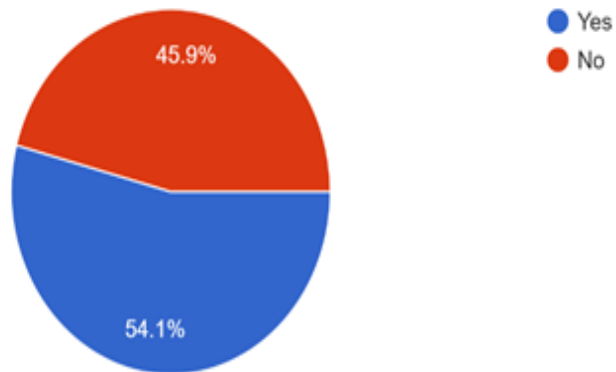




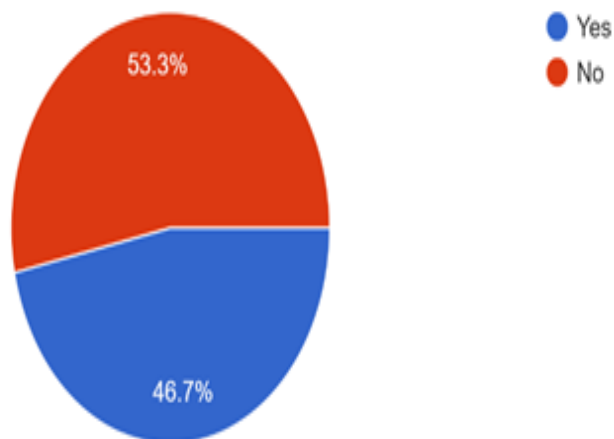
A good number of respondents (44%) consider themselves medium risk takers (i.e. they want moderate returns but don't want to be exposed to very high levels of risk). On the other hand, only 16% of respondents believe that they are risk takers (i.e. they want the highest returns and they are comfortable with the risks). Most respondents (55.6%) agree that since cryptocurrency is quite new, it would take time from the average person to learn how to invest in cryptocurrency.

One of the most significant highlights of cryptocurrency is its mystery. An individual can possess numerous portfolios without being attached to his name, and it is conceivable to move this cash from portfolio A to portfolio B with no little expenses contrasted with commissions charged by customary banks. In addition, the exchange between various portfolios takes seconds, while the exchange of assets between various records in the customary banks may take significantly more, some of the time as long as a few days.

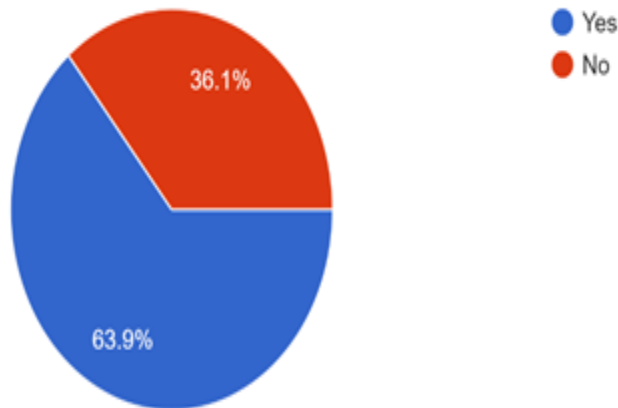
Q13. Cryptocurrency has no tangible form. Does that diminish the value that you perceive about the currency?



Q14. Cryptocurrency is non-government regulated which offers users more freedom. Would this increase your interest in using cryptocurrency?



### Q15. Unlike other currencies, cryptocurrency requires much less fees to operate. Would this increase your interest in using cryptocurrency?

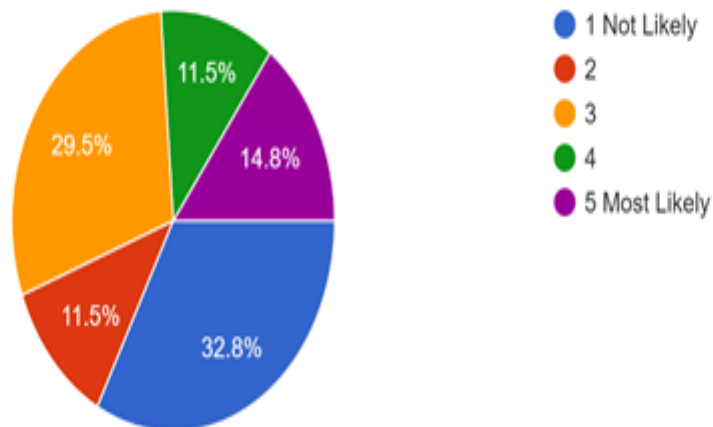


More than half of respondents (54.1%) support the idea that since cryptocurrency has no tangible form, that would diminish the value they perceive about the currency. However, a similar percentage of respondents (53%) disagree with idea that since cryptocurrency is non-government regulated which offers users more freedom. this would not increase their interest in using cryptocurrency.

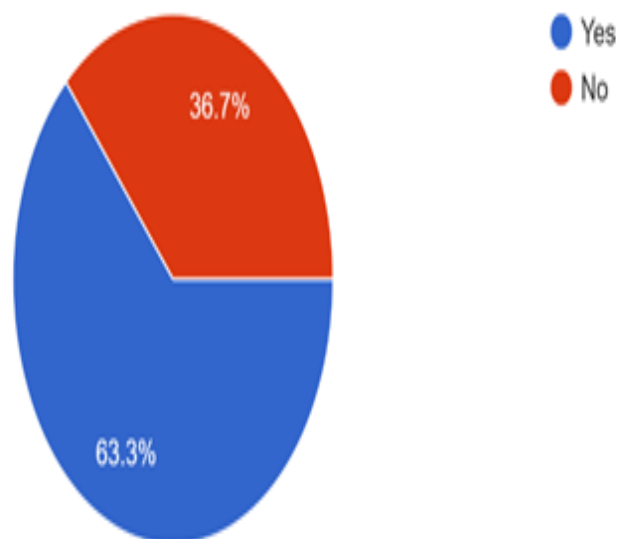
A strong majority of respondents (64%) believe that unlike other currencies, cryptocurrency requires much less fees to operate, and this would increase their interest in using cryptocurrency.

What recognizes Bitcoin is that its trade does not require a mediator as it does in other money related instruments, and there is no commission on trades or exchanging that happens through the computerized cash. Consequently, Bitcoin has become exceptionally normal as of late in every one of the media because of the ascent in the cost of this cash, which has ascended from a couple of pennies in 2009, to above \$ 1,300 in the principal half of March 2017, surpassing the estimation of the cost of 1 ounce of gold just because since the start of this money in 2009.

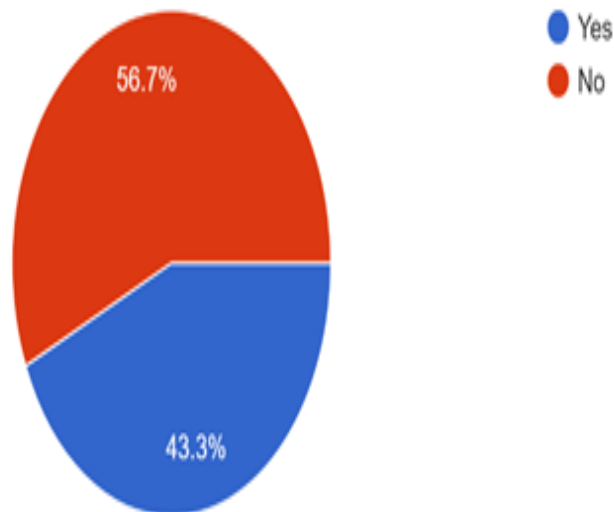
Q16. Cryptocurrency is still in its infancy stage and may undergo many changes in the near future which make...your decision to use cryptocurrency?



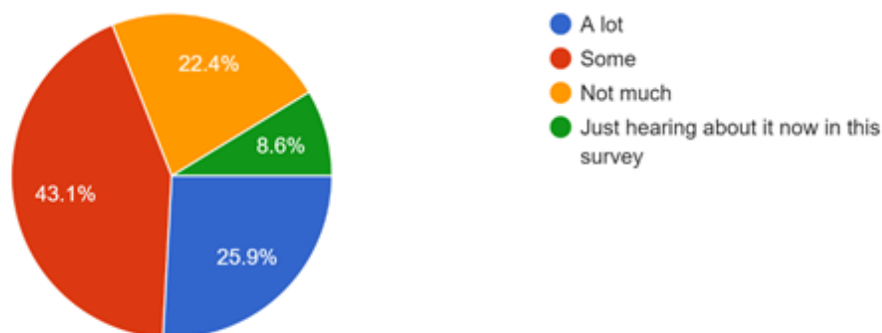
Q17. If cryptocurrency is government regulated but remained intangible, would this increase your interest in cryptocurrency?



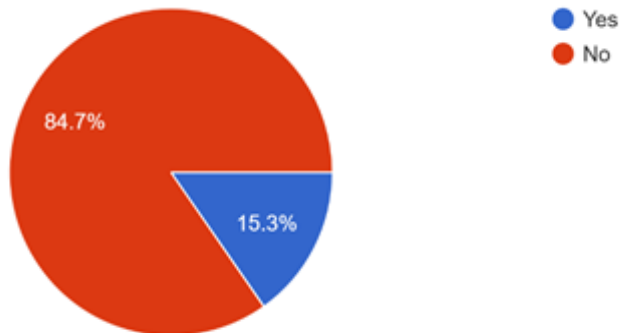
Q18. If cryptocurrency providers created tangible coins (or notes) for cryptocurrency users with banks and AT...ase your interest in cryptocurrency?



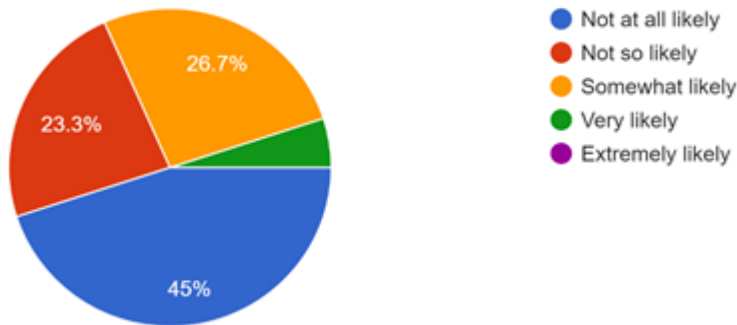
Q19. How much, if at all, have you heard or read about cryptocurrencies such as Bitcoin or Ethereum?



### Q20. Do you own cryptocurrency?



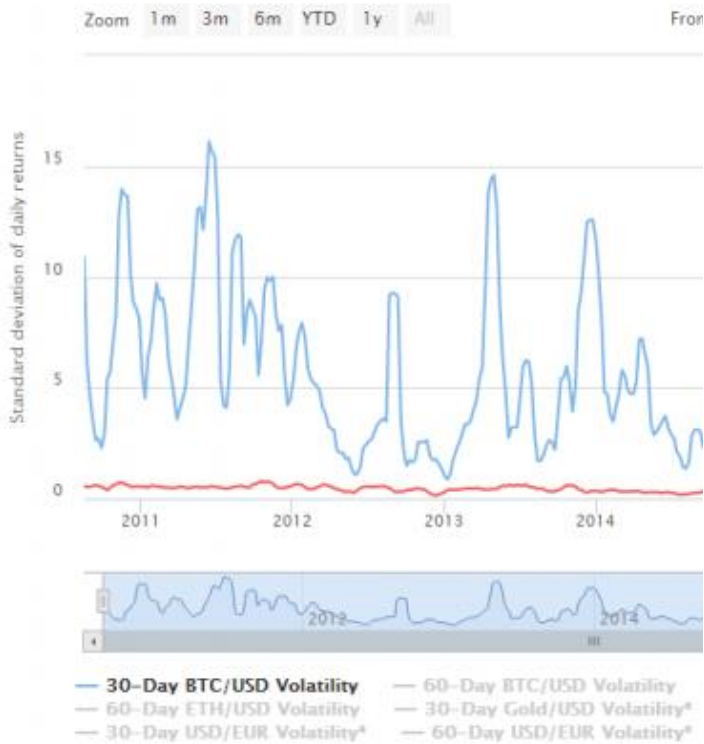
### Q21. How likely are you to invest in cryptocurrency this year?



26.3 % of respondents supported that cryptocurrency is still in its infancy stage and may undergo many changes in the near future which makes it extremely volatile. This would likely affect their decisions to use cryptocurrency. A great majority of respondents (63%) believe that if cryptocurrency is government regulated but remained intangible, it would increase their interest in cryptocurrency.

However, 56% of respondents say that if cryptocurrency providers created tangible coins (or notes) for cryptocurrency users with banks and ATMs readily available but remained non-government regulated, it would increase their interest in cryptocurrency. Most respondents (69%) have heard or read about cryptocurrencies such as Bitcoin or Ethereum. Meanwhile, the vast majority of respondents (85%) do not own cryptocurrency and only 15% of respondents in the GCC do own different types of cryptocurrencies. Further, most respondents (68.3%) are hesitant and not likely to invest in cryptocurrency this year. In this respect, figure (1) below illustrates the volatility of Bitcoin (blue line) contrasted with the unpredictability of the USD conversion scale (red line). This unpredictability brings about vulnerability about Bitcoin esteem, making it a hazardous speculation and significantly less secure as a substitute for conventional money [8]

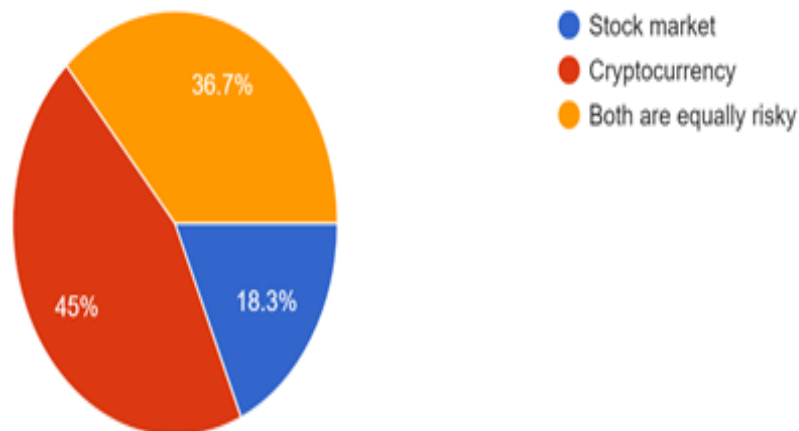




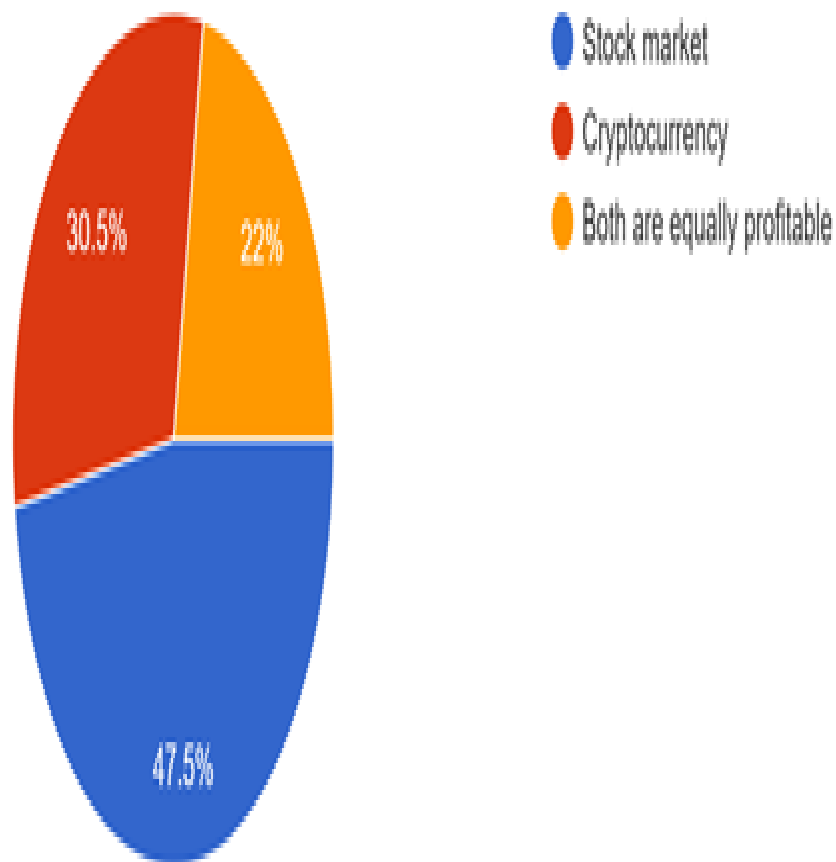
**Figure (1)** Comparing Bitcoin volatility with US Dollar volatility.  
Source: [8]

Worth mentioning that Bahrain and Abu Dhabi are dashing to turn into the Gulf locale's driving center point for cryptographic forms of money, decentralized computerized monetary forms that use blockchain records. Both have created digital currency administrative structures, authorized cryptographic money trades and businesses, and put resources into digital money related new companies. The Central Bank of Bahrain and Abu Dhabi Global Market, a money related free zone, are driving on-screen characters in the fast improvement of the locale's digital currency area. Policymakers in other Gulf Arab areas have been progressively careful in regards to the joining of cryptographic forms of money inside their economies. High expectations that digital currency advancement will bolster monetary broadening endeavors must be adjusted against the dangers of putting resources into a quick developing innovation subordinate upon a fragile administrative parity.

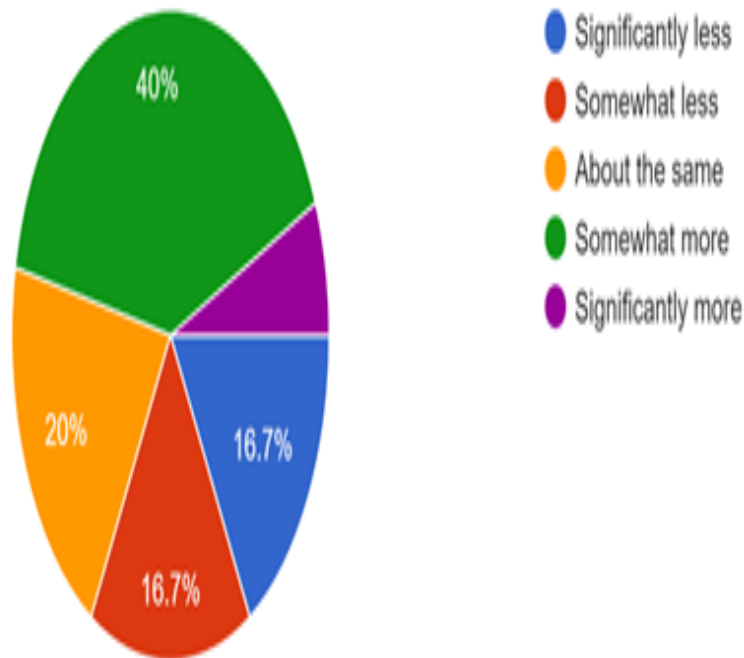
**Q22.** In your opinion, which is more risky, investing in the stock market or investing in cryptocurrency?



Q23. And which do you think would be more profitable, investing in the stock market or investing in cryptocurrency?



## Q24. In 5 years, do you think cryptocurrency will be worth more or less than today?



45% of respondents believe that investing in cryptocurrency is more risky than investing in the stock market. However, a good number of respondents (47.5%) think that investing in the stock market is more profitable than investing in cryptocurrency. Finally, 40% of respondents think that in 5 years, cryptocurrency will be worth more than today. The transfer of currency between users over the Internet is monitored and shared with an electronic signature that is not possible change, falsify, or delete it, The information is then stored on the Internet without any personal data being recorded. This process called (mining) requires devices with fast processors, such as modern computers or servers (Seservers) used by large corporations; the user installs the mining software on their own computer. Bitcoin officials say that the purpose of this currency, first introduced in 2009, is to change Global economy in the same way that the Web has changed publishing methods

### 5. CONCLUSION

In this study, we provide the first survey on cryptocurrency in the GCC economy. The findings reveal that: Half of

respondents (50%) have a resendable investment experience (more than three years of investment experience) indicating that our questionnaire survey was directed to respondents that are aware of investment in the GCC and therefore could perhaps be able to provide opinions on cryptocurrency in the GCC economy. An overwhelming majority of respondents (83.6%) indicated that they have heard of Bitcoin or other cryptocurrencies indicating the high awareness level of Gulf people in relation to cryptocurrency in the GCC economy. Nevertheless, only 40% of respondents have invested in a startup business before and a small portion (8%) have made a Bitcoin based investment. A good number of respondents (44%) consider themselves medium risk takers (i.e. they want moderate returns but don't want to be exposed to very high levels of risk). On the other hand, only 16% of respondents believe that they are risk takers (i.e. they want the highest returns and they are comfortable with the risks). Most respondents (55.6%) agree that since cryptocurrency is quite new, it would take time from the average person to learn how to invest in cryptocurrency. A

strong majority of respondents (64%) believe that unlike other currencies, cryptocurrency requires much less fees to operate, and this would increase their interest in using cryptocurrency. A great majority of respondents (63%) believe that if cryptocurrency is government regulated but remained intangible, it would increase their interest in cryptocurrency. Most respondents (69%) have heard or read about cryptocurrencies such as Bitcoin or Ethereum. Meanwhile, the vast majority of respondents (85%) do not own cryptocurrency and only 15% of respondents in the GCC do own different types of cryptocurrencies. Further, most respondents (68.3%) are hesitant and not likely to invest in cryptocurrency this year. Furthermore, the blockchain technique is used to facilitate trade finance services. While traditional trade finance operations require multiple and strict paper procedures, The use of this technology will enable banks and trade finance institutions in the GCC to automatically store, secure and exchange contract details and financial terms and coordinate commercial logistics and payments within an existing and integrated network of transactions, which will help support trade finance operations, close part of the trade finance gap, especially in Gulf countries, and achieve an estimated savings \$30-40 billion per year [8] On the other hand, the blockchain is dependent on financial inclusion, as both mobile phones and blockchain are highly promising solutions for providing financial services to billions of people who are not financially served. These technologies can generate bank revenues of around \$380 billion in 2020, according to World Bank estimates (US\$270 billion due to financial services coverage by SMEs and US\$110 billion due to financial services to non-financially served individuals [9], [10], [11]. The study clarified that despite the increasing international interest in using the blockchain technology in the financial services, it is noted that the scope of the technology's diffusion is still limited in the Gulf region, owing to a number of challenges that prevent the widespread use of this technology in the financial sector at present. These challenges include the very nature of the financial services industry, which is characterized by the regulatory frameworks that govern the industry, especially in the wake of the global financial crisis, the emerging nature of these technologies and their widespread non-testing, and uncertainty about their legal and regulatory status and their contrast from country to country. Data protection and privacy considerations; the risks of cyber-attacks, as well as interoperability difficulties. The use of blockchain technology in Gulf countries is not limited to financial services. In the UAE, the blockchain strategy is among the Emirate of Dubai aims to use this technology to

deliver government services, as all government services in Dubai will be delivered through this technology by 2020. This is expected to achieve economic saving of \$1.5 billion per year [12].

## REFERENCES

- [1] Grimbergen, R. (2011, November 11). Bitcoin: An Innovative Alternative Digital Currency. *Hastings science & technology law Journal*.
- [2] Subramanian, R. and Chino, T. (2016). The state of cryptocurrencies: Their issues and policy interactions. *Journal of International Technology & Information Management*, 24(3), p. 25-40. 8.
- [3] Bailis, P. & Song, H. (2017). Research for Practice: Cryptocurrencies, Blockchains, and Smart Contracts; Hardware for Deep Learning. *Communications of the ACM*, 60(5), p. 48-51. 2.
- [4] Ivaschenko, A.I. (2016). Using Cryptocurrency in the Activities of Ukrainian Small and Medium Enterprises in order to Improve their Investment Attractiveness. *Problems of economy*, (3), p. 267-273. 5.
- [5] Hileman and Rauchs (2017) Cambridge Centre for alternative finance Global Cryptocurrency benchmarking study
- [6] Tymoigne (2015). Do Cryptocurrencies Such as Bitcoin Have a Future? No: As a Currency, Bitcoin Violates All The Rules of Finance. *Wall street journal – Eastern edition*, 265(49), p. 1-2. 10.
- [7] Kinateder, Harald. (2015). What drives tail risk in aggregate European equity markets? *Journal of Risk Finance* 16: 395–406.
- [8] BIS search, (2017) "Blockchain Technology in Financial Services Market Analysis and Forecast: 2017 to 2026 (Focus on Opportunity and Use Case Analysis)."
- [9] Baruri P. (2018) "Blockchain Powered Financial Inclusion".
- [10] Abdeldayem Marwan M and Saeed Hameed Aldulaimi (2019) "PRIVATISATION AND FINANCIAL PERFORMANCE IN EGYPT SINCE 1991" *Asian Economic and Financial Review*, Vol. (9), No. (4), Pp. 461-479.
- [11] Darwish S. and Abdeldayem Marwan M (2019) "RISK MANAGEMENT AND BUSINESS ETHICS: RELATIONS AND IMPACTS IN THE GCC" *International Journal of Civil Engineering and Technology*, Vol. (10), No. (10), Pp. 489-504
- [12] Smart Dubai, (2018) Dubai Blockchain Strategy.