Cryptocurrencies Training and Trading for Economic Empowerment in Rivers State

By

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Abstract

The internet economy has given birth to numerous technological innovations including different methods of transaction and trading platforms. Cryptocurrencies represent such innovations; it is not just digital asset used for transactions, trade and, exchange through online means, but has also become investment tool for many ordinary people even in Nigeria and Rivers State. The investment opportunities provided by cryptocurrencies have ensured that billions of people have invested their funds and reaped huge dividends from these investments. These positive attributes of cryptocurrencies among others have attracted many persons in Rivers State to use this digital asset as a form of poverty eradication. This article theoretically examines the benefits and weaknesses of cryptocurrency trading for economic empowerment in Rivers State.

Keywords: Cryptocurrency, Online Training, Online Trading, and Economic Empowerment

Introduction

Cryptocurrencies have been a major topic of debate across various platforms for many years, but in 2022, it drew the attention of many Nigerians as a result of the decision of the Central Bank of Nigeria (CBN) to close all accounts used for cryptocurrency transactions in Nigeria. This decision generated a lot of uproar and backlash from the general public, with people greatly opposing the decision of the CBN. Those opposing based their decision on the assumption that cryptocurrencies are a source of economic empowerment in the sense that it offers investment opportunities, access to capital, and financial services at greater ease and flexibility to investors in the country.

The word cryptocurrency is a merger of two words "*Crypto*" and "*Currency*", Crypto refers to encryption algorithms and systems that protect encryption entries, these include cryptic curve encryption, public-private key pairs, and hashing functions among others. While the word currency refers to money or other assets used to facilitate transactions within the economy of a nation or nations. Cryptocurrencies are intangible financial instruments or digital currencies developed using encryption algorithms to create distinct hashes that are limited in number (cryptocurrencies). This means that they are generated online with the ability to function both as a currency and as a virtual accounting system. The users of cryptocurrencies are able to exchange these distinct hashes called cryptocurreny in the same

manner currencies are traded, using a network of computers to confirm each transaction. These users directly or indirectly determine the value of cryptocurrencies, the more patronage a particular type of cryptocurrency has the higher its value will be. The acceptability of cryptocurrencies is based on the trust, confidence, and level of acceptability by its users.
Generally, cryptocurrencies can be mined, purchased from cryptocurrency exchange platforms, used as a means of reward for work done on a blockchain network or used for trading as an investment instrument. Most users of cryptocurrencies consider them an acceptable medium of exchange, a store of value, a unit of account, measure of value, and of standard for deferred payment. These virtual currencies are growing in popularity around the world because of their flexibility, growing acceptability, growing value, and ability to make payments without the use of third-party intermediaries.

Types of Cryptocurrencies

Today, there are many different types of cryptocurrencies in the world, the four most prominent based on market capitalization and price includes the following (Hicks,2023):

1) Bitcoin (BTC): This is the first, most popular, and largest type of cryptocurrency in the world, it was created in 2009 has a market capitalization of $550 billion US Dollars, and is sold at a price of $28,237 per BTC in April 2023. While, in April 2021, BTC reached its peak price when it sold for $68,800 US Dollars per BTC.
2) Ethereum (ETH): This is the second most popular type of cryptocurrency, it was created in 2013, and it has a market capitalization of $224 billion US Dollars and is sold at a price of $1,863 per ETH in April 2023. While, in April 2021, ETH reached its peak price when it sold for $4,815 US Dollars per ETH.
3) BNB (BNB): BNB is the cryptocurrency issued by Binance it was created in 2017 and it is among the largest crypto exchanges in the world. BNB has a market capitalization of $49 billion US Dollars and sells at a price of $312 per BNB in April 2023. While in May 2021, BNB reached its peak price when it sold for $430 US Dollars per BNB.
4) Tether (USDT): Tether is called a stablecoin because its value is tied to the value of a specific asset, in Tether's case, the U.S. Dollar. USDT was created in 2014, it has a market capitalization of $80 billion US Dollars and is sold at a price of $1 per USDT in April 2023. Tether often acts as a medium when online traders move from one cryptocurrency to another. Rather than move back to dollars, they use Tether.

Thus, from the above-listed types of cryptocurrencies, the world's largest, most popular, and most valuable cryptocurrency with a market capitalization of more than $550 billion is Bitcoin (BTC). BTC was created through "an algorithm that records an ongoing chain of transactions between members of decentralized peer-to-peer network and broadcasts these records to all members of the network" (Ammous, 2015: 19). While the second most prominent type of cryptocurrency, Ethereum (ETH) is used as a blockchain-based, public, open-source, computing platform and operating system for smart contracts. ETH is a modified version of the BTC consensus mechanism and was proposed in 2013 by Vitalik Buterin (Buterin Vitalik, 2014; Rizzo et al., 2016).

Unfortunately, cryptocurrencies such as BTC and ETH are highly volatile, yet they are steadily becoming more accepted as a medium of exchange, as such interfering with the way the traditional financial system around the world including Nigeria operates. These cryptocurrencies have become major contenders to conventional monetary tools in various countries, as the apex banks of different countries have become more concerned about their impact on the economy.

Opportunities of Cryptocurrencies in the Nigerian Financial System

Cryptocurrencies provide the Nigerian financial market with several opportunities. Some of these benefits are listed below:

1) Better Banking Services to Rural Communities:

More than two billion people in the world do not have access to basic banking services that will provide solutions to a personal financial crisis such as loans, checking accounts, and so on. Most of these people are situated in developing countries of the world such as Nigeria, where they are in most cases already financially disadvantaged as such they resort to suspicious and dangerous lending practices to meet their financial needs. These informal lending practices are usually associated with ridiculous interest rates that are unfair and create more instability among the vulnerable people who patronize their service. In Nigeria, incidences of this nature occur in many villages, rural and urban areas. Thus, cryptocurrencies provide a sudden remedy to the above-illustrated financial difficulties encountered by people, it ensures that with high volatility, no interest, and ease-of-use by all individuals despite their location it is beneficial (Gillman, 2005).

2) Decentralized Banking System:

Many apps and programmes around the world facilitate the use of cryptocurrencies and bring them closer to people around the world including developing countries such as Nigeria. An added benefit of cryptocurrency use is that it's completely decentralized, so trading can be done freely across borders regardless of geographical location. The use of crypto technology has facilitated a financial revolution around the world that leaves everyone more financially linked, empowered, and enabled. This is particularly beneficial to Nigerians because it brings about ease in the entire banking process (Click, 2008).

3) Low Cost of Operation:

Cryptocurrencies do not require physical infrastructure in the form of banking halls, renting premises, and furnishing the facility, thus the costs associated with its operations are very low. Variables such as payment of employee wages, utility bills or rent, furnishing, and renovations are eliminated, which leads to more funds spared for savings. This has led many individuals to rely on cryptocurrencies as their new financial tools and start a business, allowing for the Nigerian economy to be more closely intertwined with global standards.

4) Reduces the Risks of Corruption and Financial Fraud:

Since all crycryptocurrency transactions are automated and digitized, these transactions can be tracked in a distributed ledger. An additional major advantage is that they cannot be

manipulated by either people or companies, which greatly diminishes the risk of fraud and exploitation. Thus, developing countries have a greater chance of entering the financial market space and promoting their own economic and social prospects.

5) Favorable to Small Medium Scale Enterprises:

Cryptocurrencies are of great benefit to Small and Medium Scale Enterprises (SME) In Nigeria, they can help entrepreneurs receive payments from different currencies of the world. BitPesa is one such company that provides business owners in Africa to make financial transactions with European, American, and Asian, companies. This ensures that SME's everywhere get better financial coverage and a liberated financial connection with the rest of the world. With the availability of the digital wallet, entrepreneurs are able to quickly convert altcoins into fiat currencies that they can later redirect to business investments, purchases, and payments.

6) Financial New Age:

The pace at which cryptocurrencies are taking over is a clear indicator that traditional financial institutions can no longer hold the fort so well and that other financial needs are arising and need to be addressed. Similarly, the world is facing a growing need to tear down borders, in search of complete social and financial inclusion, the crypto technology has everything it needs to address such issues.

7) Contribute to Economic Growth and Development:

Cryptocurrencies are gradually becoming part of everyday life in both developed and developing countries of the world, shaping the economic map of nations and enhancing trade, transactions, and finance, while contributing to economic growth, and inclusive economic development. Cryptocurrencies have opened up investment opportunities for millions and created new methods of sending money across borders, saving money, and starting a business, and employing people. The possibilities of cryptocurrencies are constantly growing and expanding at an exponential speed, thus leading to more growth and development.

8) Improvement of financial inclusion in developing countries

The improvement of financial inclusion is the most significant and most developed benefit of cryptocurrencies for the population in developing countries. Cryptocurrencies have lowered the transaction time lag and reduced the cost of transactions significantly, they also create a type of bank account that enables people to save and conduct daily transactions seamlessly (Bailey, 2006).

Weaknesses of Cryptocurrencies in the Nigerian Financial System

Cryptocurrencies are still relatively new, and the market for these digital currencies is very volatile. Since cryptocurrencies don't need banks or any other third party to regulate them; they tend to be uninsured and are hard to convert into a form of tangible currency (such as US dollars or euros.) In addition, since cryptocurrencies are technology-based intangible assets, they can be hacked like any other intangible technology asset. Since cryptocurrencies are

stored in a digital wallet, if one loses their wallet (or access to it or to wallet backups), they have lost their entire cryptocurrency investment.

Cryptocurrencies for Economic Empowerment in Rivers State

Patinkin (2012) stated the impact of cryptocurrencies on the enhancement of developing countries such as Nigeria is not significant yet, because the technology is still at its infant stage. There is only limited adoption of cryptocurrencies and the positive effects of cryptocurrencies will only occur if there is mass adoption. Presently, support for the improvement process in Rivers State with the help of cryptocurrencies is not given, mainly due to the low general acceptance.

Similarly, the regulation of cryptocurrencies is crucial for their future development and adoption in Nigeria because it determines the extent to which they will be considered reliable. The setting up of cryptocurrencies regulations is systematic and practical, these regulations should not be too strict that all benefits are diminished, but the regulation must be strict enough that cryptocurrencies are politically accepted because it is only through mass adoption of cryptocurrencies that they can succeed in Rivers State (Holman, 2010).

However, cryptocurrencies lack mass acceptability and are not politically supported by many in Rivers State because of the fear of fraud and of losing control over economic policies such as monetary policy (Driffill, Mizon, & Ulph, 2010). The fear of losing control stems from the fact, that national governments cannot regulate cryptocurrencies and therefore, their money supply, which can lead to the loss of their financial sovereignty. The solution to keeping financial sovereignty alongside cryptocurrencies is to issue a central bank-issued digital currency such as the e-Naira.

Patinkin (2012) stated that the lending process of cryptocurrencies is presently restricted to small amounts, particularly for individuals in the low-income segment, this is because the items they own are normally difficult to efficiently collateralize with traditional financial tools. For example, it is difficult for banks to grant loans with life stock as collateral. This possess a big restriction to thousands of people in Rivers State who do not have the relevant collateral to access crypto loans from the online financial market.

Conclusion

The benefits of cyrptocurrencies in the financial market of Rivers State outweigh the disadvantages. There is no doubt that if properly harnessed these assets are capable of revolutionizing the economy of Rivers State to meet global standards. However, these benefits must be deliberately keyed into by policymakers and the financial system in Rivers State. This can be achieved by developing the right technological infrastructure and setting up regulatory organs capable of monitoring the activities of cryptocurrency operators and investors in Rivers State (Bailey, 2006). Therefore, it is apparent that the Rivers State government and financial regulators such as the Central Bank of Nigeria (CBN) should begin to establish an enabling framework for the inclusion of cryptocurrency adoption in Rivers State. This will greatly promote and advance the financial system in Rivers State and thereby make it more competitive in the global financial market.

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