

# Prospects of Cryptocurrencies in Bangladesh

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## Abstract:

This study aimed to analyze the potentials of cryptocurrency in Bangladesh. Pros and cons of allowing the use of cryptocurrencies in Bangladesh were deliberated from various perspectives to draw the conclusions. Content analysis approach was used in this qualitative study. NVivo software was utilized for coding the content and performing different analysis. The analysis shows that despite accommodating some risks, Bangladesh could benefit by the introduction of cryptocurrencies into its economy. Adoption of cryptocurrency could lead to higher degree of security, easier accessibility to financial services, new investment opportunities, cheaper and faster transfer of remittance and opportunities of using mined cryptocurrencies in lieu of foreign currencies. Even if the country doesn't embrace crypto, just by implementing many of its features Bangladesh's economy can evolve and prepare for the age of digital currencies and economies. Thus, Bangladesh should change its hostile stance towards cryptocurrency and choose neutrality. The findings of this study could assist in advancement of understanding on related subject. It could also help decision makers identify which factors to focus on when considering cryptocurrency adoption in Bangladesh or similar countries.

**Key Word:** Crypto currency, Bangladesh

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## I. Introduction

Cryptocurrency is making waves all around the world. In fact, it is one of the most talked-about topics of the current time that has grabbed the attention of economists and world leaders around the world. However, despite all the efforts, we have yet to reach a solid conclusion.

Cryptocurrencies are unlike anything that came earlier. Before the arrival of crypto, commodities such as gold or other valuables that had real value in the market were used by people as means of payment. It was inconceivable to think that people would willingly accept some string of characters issued not by the governments but rather some privately owned entities as currency and would complete transactions with it. But today we can see just that. Many advantages and drawbacks of cryptocurrencies are unique and aren't comparable to those of traditional financial system. So, decisions regarding this matter are never as clear as black & white but are usually somewhere in between.

Many nations around the world tackled the emergence of cryptocurrencies in different ways. Some nations have allowed the use of such currencies without much restrictions, while others have put up fierce resistance. Some see it as an evolution of our current monetary system but others see it as a threat. So, there's no uniformity in the decisions that were made and everyone is divided on this matter. However, they are definitely observing from a safe distance and trying to advance their financial system by imitating the features of cryptocurrencies at the same time.

Bangladesh being a fast-growing economy that houses the world's second-largest population of freelancers is not impervious to such events. For now, Bangladesh Bank discourages cryptocurrencies fearing its usage in money laundering. Nevertheless, in this fast-moving global economy, hostility towards new developments can either result in the loss of potential profits and advancement opportunities or being unable to protect the economy from potential harm and obsolescence.

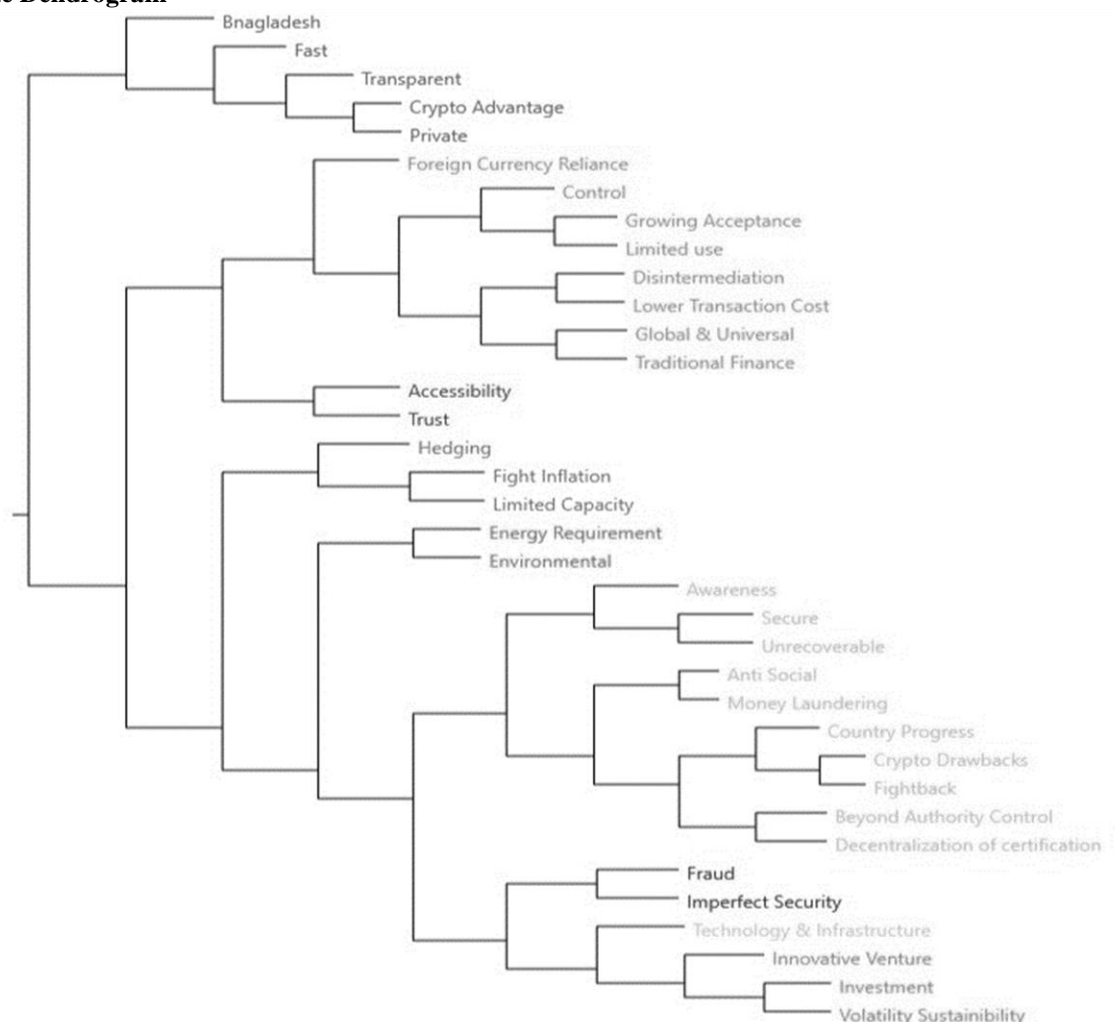
As little time has passed since cryptocurrency has attracted global attention, there is a huge gap in terms of research regarding the nature of cryptocurrencies, crypto policies and the impact of crypto on the existing global financial system. So, this research targets to enrich the existing understanding of these matters, while trying to highlight areas that are critical for the acceptance of cryptocurrencies in any economy, which could be generalized and serve as a pointer for further quantitative analysis when suitable data becomes available to us. Hence, this study intends to identify whether cryptocurrencies offer any benefits for Bangladesh and should the Government of Bangladesh adopt the option of using cryptocurrency.







## Node Dendrogram



**Figure 3:** Nodes Clustered by Word Similarities.

Figure 4 shows the node dendrogram. Nodes that are close together display level of similarities. So, the clustered dendrogram of nodes illustrates likenesses between the different nodes.

Privacy and transparency are two unique features of cryptocurrency that serves as a benefit, the dendrogram supports their placement in close proximity through crypto advantage. Cryptocurrency also allows fast transaction is speed which adds to the existing benefits of cryptocurrency. All these features could be a boon for Bangladesh.

Cryptocurrency shows strong potential to rival traditional finances in terms of global outreach. The elimination of third parties leads to lowering the transaction cost. Despite limited usage cryptocurrency, acceptance between businesses and people are growing rapidly, as many people desire more control over their finances. Due to the influence of these factors, many individuals now consider cryptocurrency as an alternative to foreign currencies and use it to conduct international transactions or buy goods from abroad while cutting down transaction fee and sidestepping traditional intermediaries.

People's trust in the cryptocurrency system has increased its appeal to the masses. Again, ability to access crypto wallets from any part of the world coupled with its acceptability in foreign nations make it a much more attractive alternative to fiat currencies.

Investments in crypto needs to be made while considering the issue of volatility and sustainability, but opens up paths to innovative ventures related to cryptocurrency technology and infrastructure. the dendrogram shows there may be some relationship between fraud and loopholes of security in the cryptocurrency system. So, investors must consider carefully the risks of investment.

Cryptocurrency has limited capacity which causes scarcity and keeps the price high. However, due to this very reason cryptocurrency can be used to fight inflation and act as a hedge in a in an investor's portfolio.

Cryptos are decentralized in nature; thus it is beyond the control of the authority. This is both a benefit and drawback of cryptocurrency. Criminals could use cryptocurrency for money laundering and anti-social

activities unhindered. The security of crypto is much advanced compared traditional currencies, but as there's no controlling authority, any mistake or issues can't be fixed and there's also there exists lack of awareness among parties. Cryptos also uses more energy than traditional currencies as a result it creates some negative effect on the environment. Countries mostly fightback fearing the negatives of cryptos, which greatly hinders crypto acceptance among different nations.

**Summary Table**

Source	Summary
7	Cryptocurrencies to be currency of the future. From their perspective despite some disadvantages, it possesses multiple innovative features and enables offering financial services to people at the bottom of the pyramid and in remote locations without the need of a traditional banking infrastructure. However, the advantages bring with it the possibility of loss of remittance, which is a major source of foreign currency for our country and a lack of financial governance, creating more chaos in the stumbling financial system in our country.
8	Believes the block-chain based distributed information system of cryptocurrencies to provide additional security, trust and transparency, enabling unknown and anonymous parties to complete transactions. The writer tried to paint a picture of the future potential of cryptocurrencies, while highlighting possible ways our financial system could develop utilizing this technology.
9	Discussed some innovative utilization of cryptos that are currently being employed in our economy, particularly in the airline and real-estate industry. Following these examples, can benefit the firms in real-state, airline and other related industries even in our country while creating new avenues of investment.
10	Through quantitative research uncovered public's view on cryptocurrencies as investments and the influence of these investments on the Russian economy. The study explored the process of transfer of funds to foreign countries through cryptocurrencies during inflation and also highlighted ways to reduce money supply in times of illiquidity crisis by relying on cryptos. This research also supports the use of cryptos to control inflation in the economy.
11	Sees the emergence of cryptocurrencies as an opportunity for evolution of the financial system in Nigeria and other African nations. Embracing this new technology can strengthen the weak financial institutions while reducing reliance on foreign currencies. However, it can definitely cause problems for existing financial institutions and remittance flow. The positive side of digital currencies can also help our own financial systems to reach new standards, regain trust and become more efficient and economic than ever before but the negative side again reminds us of a comprehensive evaluation.
12	Found cryptocurrency, particularly Bitcoin to be a popular alternative to fiat currency. Their study found the non-government organizations to be much more accepting of cryptos, while governments' continuous pushback due to multitude of speculations. The paper deliberates the possible benefits of coexistence of cryptocurrencies and fiat currencies in the same economy. It stresses the policies adopted by different nations regarding cryptos and asks for international collaboration for controlled usage of crypto. The article also underlines the negative effect of such currencies from the perspective of various counties.
13	Sees great potential in the level of personal control over financial assets and decentralization in a cryptocurrency-based economy, considering from India's perspective. The article highlighted the rapid growth of cryptocurrency users in India and some steps the Indian government is considering to tax and monitor the flow of funds through the digital financial space. It also pointed out some benefits of legalizing crypto and how it could affect the economy both positively and negatively. The study compared the most well-known cryptocurrency, Bitcoin with traditional investment opportunities (e.g., Gold, Bonds, Stocks etc.). The research also urged the government acceptance of cryptocurrencies even as an experiment for future development of existing financial system.
14	Explored the prospects of cryptocurrency from the viewpoint of Kazakhstan's economy in their work. It also identified factors that influenced the adoption and price of cryptocurrencies. The writers express their concern over the volatility of cryptocurrency exchange rates, but also accepts the fact that this is the property that attracts investors. The paper suggests some alternative uses of cryptos and the measures that could encourage the adoption of crypto even among governments. It also stresses the importance of a legal framework for adoption of cryptocurrencies in an economy, as this could solve many of the initial drawbacks and pave way for introducing national cryptocurrencies if needed.
15	Compared the features of cryptocurrency with that of fiat currency and identified the risks and rewards it introduces to the Indian economy. The writers also detected the problems being faced by cryptocurrency investors due to a lack of government support and specialized financial institutions. The literature acknowledged the advantages previously discussed by other works while emphasizing the importance of crypto for entirely new breed of startups.
16	Through a qualitative descriptive study explored growth of cryptocurrencies in Indonesia, since its introduction in 2013. The writers deem ease of access to financial services as the main reason behind the popularity of crypto in their country. They identified the establishment of a bitcoin exchange as the turning point in the adoption of cryptocurrencies among general populace and organizations. However, the regulatory authority is still reluctant to accept cryptos, but sees potential in the development and implementation of Blockchain technology to evolve existing financial system. The article pointed to some serious issues that can be caused by cryptos and also emphasized the benefits of government regulations in this field.
17	Bangladesh's Government debt as percentage of GDP and Inflation keeps increasing. Which could be harmful for the economy.
18,19	Bangladesh's GDP, Remittance, Export, Total Reserve keeps increasing indicating stable economy. Majority of adults have access to financial services. Inflation and CPI paints a poor picture. Bangladesh is not showing any improvements regarding Control of Corruption or Political Stability.
20	Highlights the weak security system of financial sector of Bangladesh and how it's being exploited by criminals for money laundering out of the country. Discusses the preventive measures adopted by our country and also deliberates the recent financial mishaps in the country that has led to a lack of trust on the existing system.
21	Compared the state of cyber security of Bangladesh to that of other nations and highlighted Bangladesh's weaknesses.
22	Discovered high level of penetration of financial services among the populace. Existing financial system offers various investment opportunities to the investors of Bangladesh such as bonds, bills etc. and is constantly trying to evolve with the changing times.
23	Up to 30.43% Capital Gain in 2021-2022. However, it displays much volatility compared to interest rates from other investment options available to investors; in fact, the median profit is 11.9%, which close to other less risky investment alternatives such as bonds.

Source	Summary
24	Bangladesh still has much room to improve regarding prevention of money-laundering from the country and terrorist funding. However, it's improving though very slowly.
25	Trade value Gap which can be believed to be money laundering through mis-invoicing has been on the rise recently and their relative quantity with respect to total trade is also increasing.
26	Bangladesh received poor ranking regarding corruption perception in the country. The rankings aren't improving, which paints a bad picture for the country.
27	Bangladesh has excess electricity generation capacity that is not being utilized.

### Potentials of cryptocurrency from National Perspectives

According to many researchers, the ability of cryptocurrencies to offer low-cost cross-border transactions and seamless accessibility to a global payment system is an appealing aspect that is difficult to ignore<sup>9,28,29</sup>. Agbo and Nwadiakor<sup>12</sup> believe that countries with the large number of immigrant workers could benefit from adopting cryptocurrency, as these allow cheaper and faster transfer of remittance. According to the researchers, adoption of cryptocurrencies would also open up avenues for African businesses to reach the global market much more easily and conduct international transactions without needing an intermediary or foreign currency of a third country. Ally et al.<sup>28</sup> think that favorable treatment of Cryptos in Australia could open up avenues for innovative ventures and startups that could create more value and contribute to the growth of Australian economy, while trying to provide new ways to utilize cryptocurrencies and related technologies. The development of cryptocurrencies and blockchain technologies could assist the large number of unbanked people of the world as well as contributing to the advancement of the financial system. Chakravaram et al.<sup>15</sup> consider the emergence of cryptocurrency as an opportunity for all nations to advance their economy through ventures into this field. Porras-Gonzalez et al.<sup>7</sup> addressed the growing acceptance of cryptocurrency such as Bitcoin among the populace of nations such as Kenya, Tanzania & Afghanistan; through Bitcoin wallet service managed by mobile financial service providers such as M-Pesa. Speculations by the researchers have linked this trend to the lack of trust among the people towards the existing financial infrastructure and ease of accessibility to cryptocurrencies. According to Kim et al.<sup>30</sup>, countries such as North Korea and Venezuela see potential in cryptocurrency due to being free from manipulations by other nations and circumvent international political pressure on financial sectors. Leo Handoko et al.<sup>16</sup> believe in the potentials of cryptocurrency for the Indonesia due to the uninterrupted accessibility and global acceptance of crypto. Loseva<sup>10</sup> highlighted potential of cryptos to control inflation in the Russian economy through controlled implementation by the government along with a supportive monetary policy. Дарибаева and Таласбек<sup>14</sup> described the cryptocurrency boom among the people of Kazakhstan, where cryptocurrency is providing new opportunities of investment as well as acting as an alternative to the existing payment systems. Singh & Singh<sup>13</sup> see potential in cryptocurrency due to the explosive growth potential as an investment for the people in India, while also offering accessibility from remote locations and for quickly and economically transferring remittance.

### Implications for Bangladesh

Bangladesh is falling apart in terms of accommodating cybersecurity in the financial system in the country. Cryptocurrency offers solid security features compared to anything that is available in the existing system for both local and international transactions. So, in terms of security, cryptos show considerable potential for Bangladesh. However, cryptocurrency requires increasing awareness due to its dissimilar nature compared to existing currencies and thus caution needs to be practiced or we may end up with more harm than good.

Due to a string of financial mishaps and security issues, the trust of the Bangladeshi people towards the existing financial system has dropped significantly. Cryptocurrency can bring benefit in this case due to its ability to provide a high degree of transparency and control over assets. Inflation is a huge problem for Bangladesh, with controlled implementation of cryptocurrency it is possible to curb the growth of inflation.

Bangladesh being a country that is heavily reliant on remittance and has a large number of immigrant workers in different countries of the world could greatly benefit by adopting the use of cryptocurrency for transfer of remittance, as it can offer faster transaction speed and lower cost. Cryptocurrency as an investment opportunity also outranks the growth potential of existing investment opportunities in Bangladesh. Thus, if cryptocurrency is allowed in the country, the investors will have one more option and entrepreneurs will be able to finally enter into crypto related sectors with new startups; contributing to creation of more jobs and generating more revenue for the country. Cryptocurrency can also provide protection to the people of Bangladesh from the unstable political environment of this country. The excess electricity generation capacity Bangladesh can also be effectively used to mine cryptocurrency, which can then be used for importing goods or raw materials; reducing the pressure on foreign currencies and adding an opportunity of growth for the country. All these factors display the potentials of crypto for Bangladesh.

However, cryptocurrency also has some drawbacks. Due to the decentralized nature of cryptocurrency, it is beyond the control of the authority and in Bangladesh cryptocurrency is already being used for terrorism and anti-social activities as reported by newspapers. Again, due to the pseudonymous nature of cryptocurrency,

tracking cryptocurrency transaction is almost impossible. So, acceptance of Crypto into the economy can encourage evildoers towards corruption and money laundering; which would severely damage the image of the country in international community. If there is any mistake or if fraud is committed using cryptocurrency due to being beyond the control of the government there would be no way to recover or stop the criminals.

Considering the huge risk associated with cryptocurrency, it is understandable that the government of Bangladesh has decided to choose a hostile stance regarding it. However, after reviewing related literature and data sources it can be expected that, Bangladesh may benefit to some degree if cryptocurrencies were introduced to the country. But along with the benefits of cryptocurrency the drawback and risk of cryptocurrency will also be weighing down on our economy. So, we need to practice caution and introduce cryptocurrency in a control environment. If the results are acceptable then you should proceed towards full deployment or if it is unacceptable, one should scrap the idea completely and try to develop our own digital currency that can take some cues from cryptocurrency and its features

#### **IV. Discussion**

One of the biggest problems regarding cryptocurrency is the difficulty of controlling and monitoring the flow of funds in an area. However, through the implementation of proper strategies such as introduction of crypto-wallets which are linked to bank accounts in local commercial banks, we can gradually integrate cryptocurrencies into the Bangladeshi economy. As the banking channels already offer many ways to monitor flow of funds, this approach offers the benefits of not needing to make huge investments into developing and acquiring new skills and technologies. However, in the long run this approach will result in creating a void in the development of skills, organizations and man-power specializing in crypto and blockchain related sectors, which could be detrimental to the future development of the country.

Another strategy is to introduce crypto-wallets which are maintained by completely new establishments dedicated to cryptocurrencies, operating within national borders. Such organizations will be accountable to the regulatory authority and the authority will combine the data about crypto transactions with data from banking channels to get the full picture about the flow of funds. This could provide more flexibility about allowing private parties to offer services such as crypto-exchanges without giving access to sensitive financial information about the customer. However, this will increase the complexity of data processing and merging. Nevertheless, as the authority would be able track the inflow and outflow of cryptocurrencies, the risks of using cryptos for performing harmful or illegal activities can be reduced by a significant amount. Thus, making cryptocurrency a viable option to consider.

As the research managed to identify potentials of cryptocurrency for Bangladesh, investors and entrepreneurs should try to develop skills and technologies that could be employed to bring cryptocurrency and crypto related services to the masses, while trying to convince the authority to soften their stance about crypto. If situation regarding cryptos changes for the better, this will lead to opportunities for new investments, job creation, revenue generation and those who will be prepared will be in a strategic position in the market to become market leaders. The authority through utilizing the findings of this study could identify the pros and cons of cryptocurrencies for Bangladesh. This will allow them to make better decisions and take steps to effectively weaken the negative aspects of cryptocurrency. This will promote the growth of cryptos in the country and attract private and foreign investors to our market.

#### **V. Conclusion**

Since 2014 Bangladesh imposed fierce resistance against introducing cryptocurrency to the economy. However the economy and influence of Bangladesh are now much greater than it was ever before. In order to further develop Bangladesh's economy and financial system, block-chain & cryptocurrency which is based on it offers ample opportunities. So, maybe it's high time to Bangladesh changed its stance on cryptocurrencies lest other nations should reach a position where this country would be at a disadvantage regarding the matter.

The study concludes by pointing out:

❖ Cryptocurrency displays potentials for Bangladesh as it could be beneficial for the country from multiple perspectives.

Future research could be carried out on the following directions:

- ❖ Generalization of cryptocurrency acceptance framework.
- ❖ Quantitative research regarding the potentials of cryptocurrency acceptance.
- ❖ Comparison of cryptocurrency and digital currencies issued by nations.

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