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Cryptocurrency and Financial Inclusion: Bridging The Gap In Emerging Countries

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Abstract: The main purpose of this research is to determine the function of cryptocurrencies as a transactions medium in developing country and solve critical economic problems through the application of practical and ethical solutions from cryptocurrencies. The research objectives included examining the extent to which the adoption of cryptocurrency has disrupted traditional financial systems and affected economic development, as well as investigating the potential benefits and challenges of using cryptocurrency for emerging market. The results showed that cryptocurrency offers benefits such as reduced transaction costs, faster settlement times, and increased transparency in transactions. However, there are also challenges such as regulatory and legal hurdles, security concerns, and limited understanding of cryptocurrency. The study also highlights the factors that influence the adoption of cryptocurrency in international trade, including regulatory and legal frameworks, security concerns, awareness and understanding of cryptocurrency, transaction costs, and integration with existing systems. Overall, the study provides insights into the potential opportunities and challenges presented by cryptocurrency in global trade and commerce, and the implications for policymakers, businesses, and investors.

Keyword: Cryptocurrency, Cross-Border Payment, Emerging Countries, Opportunities, Financial Sector.

INTRODUCTION

In today's dynamic and complex financial landscape, the quality of accounting information plays a pivotal role in influencing investment decisions made by investors in the capital market. Accounting information encompasses a wide range of financial data, including income statements, balance sheets, cash flow statements, and other relevant financial disclosures. The reliability, accuracy, and transparency of this information are crucial factors that investors consider when evaluating investment opportunities and assessing the financial health of companies (Alduais et al., 2023).

The importance of high-quality accounting information in investment decision-making stems from its role in providing investors with a clear and comprehensive view of a company's financial performance and prospects. Investors rely on this information to analyze key financial indicators, such as profitability, liquidity, solvency, and growth potential, which are instrumental in guiding their investment strategies (Zabolotnyy et al., 2019). Moreover, quality accounting information contributes to reducing information asymmetry between investors and companies, leading to more efficient capital allocation and pricing in financial markets (Salehi et al., 2022).

A fundamental aspect of accounting information quality is its adherence to established accounting standards and principles, such as Generally Accepted Accounting Principles (GAAP) or International Financial Reporting Standards (IFRS). These standards ensure consistency, comparability, and reliability in financial reporting, enabling investors to make meaningful comparisons across companies and industries (Gardi et al., 2023). Additionally, the transparency and disclosure practices adopted by companies significantly impact the perceived quality of accounting information (Truong et al., 2022).

The relationship between accounting information quality and investment decisions has been extensively studied in academic literature, with researchers investigating various dimensions and implications of this relationship. Studies have explored the impact of accounting conservatism, earnings management, audit quality, and financial statement readability on investors' decision-making processes (Yu, 2022; Zadeh et al., 2022). These investigations have provided valuable insights into how different aspects of accounting information quality influence investors' perceptions and behaviors in the capital market.

Despite the abundance of research in this area, gaps and opportunities for further exploration remain. For instance, there is ongoing debate and research on the role of non-financial information, such as sustainability reporting and corporate governance practices, in enhancing the overall quality of accounting information and its impact on investment decisions (Alsayegh et al., 2023). Additionally, advancements in technology, such as artificial intelligence and blockchain, are reshaping the landscape of financial reporting and investor decision-making, warranting continuous investigation into their implications for accounting information quality (Sheela et al., 2023).

This article seeks to contribute to the existing body of knowledge by conducting a comprehensive literature review that synthesizes key findings and insights related to the influence of accounting information quality on investment decisions from an investor perspective in the capital market. By examining relevant theories, empirical studies, and emerging trends, this article aims to provide a nuanced understanding of how accounting information quality shapes investors' perceptions, behaviors, and outcomes in the dynamic and evolving financial environment.

METHOD

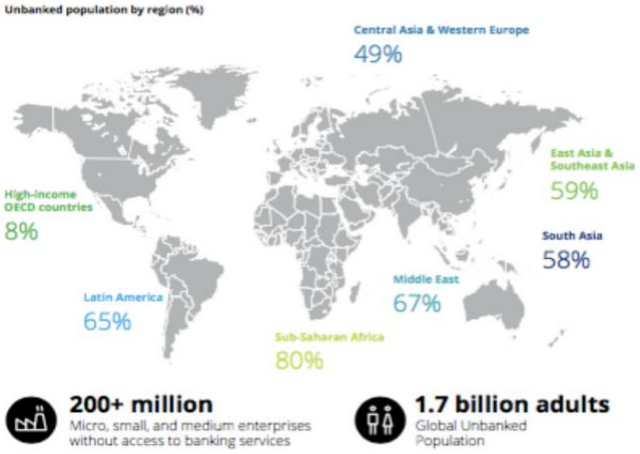
The methodology used in writing this article is a descriptive qualitative method with a normative approach which is carried out by assessing the risk and return or profit level of cryptocurrency investment. Descriptive qualitative is data that provide a subjective account of the who, what, and where of events and experiences [10]. Like any research project, the implementation of descriptive methods will depend on the goals and objectives, which will affect the study’s phases of sampling, gathering data, and analysis. The goal is to connect qualitative data to three key elements of the research process: the structure of research teams, the implications of such structures for data generation, and the role of participants in qualitative research [11]. Secondary data is information that has already been acquired and is being considered for use in answering new inquiries for which it was not originally intended. The implementation of secondary data depends on what kind of phenomenon is being examined, and what kind of theory is being applied to explain it. It is important to choose an

appropriate database because secondary data was not meant for the study's objectives [12]. The research aimed to gather data on the extent of cryptocurrency adoption in international trade, the associated benefits and challenges, and the factors influencing its adoption. Subsequently, in the third phase, qualitative data were collected through data collectively with key stakeholders, including policymakers, regulators, and industry experts.

RESULTS AND DISCUSSION

Decentralization

Cryptocurrency has disrupted traditional banking by introducing a decentralized and digital form of money. It eliminates the need for intermediaries, facilitating faster and cheaper transactions. This innovation has the potential to reduce the reliance on traditional banking systems, offering individuals an alternative means of conducting financial transactions.



The fact that blockchain reduces the costs of high-fee banking transactions is considered as an important advantage of the system. In many countries, even domestic money transfers are subject to high fees and long transaction times. Blockchain technology makes both national and international money transfers free by eliminating all third intermediaries, unlike traditional money transfers [17]. Another feature of blockchain that will contribute to facilitating financial inclusion is the convenience it brings to account opening processes. The fact that 2.4 billion people worldwide do not have a digital identity is one of the main problems preventing them from accessing financial institutions. Thanks to the profile creation feature of the blockchain based on biometric data such as face and voice recognition, it is possible for users to create an account without the need for a passport or e-mail account [18].

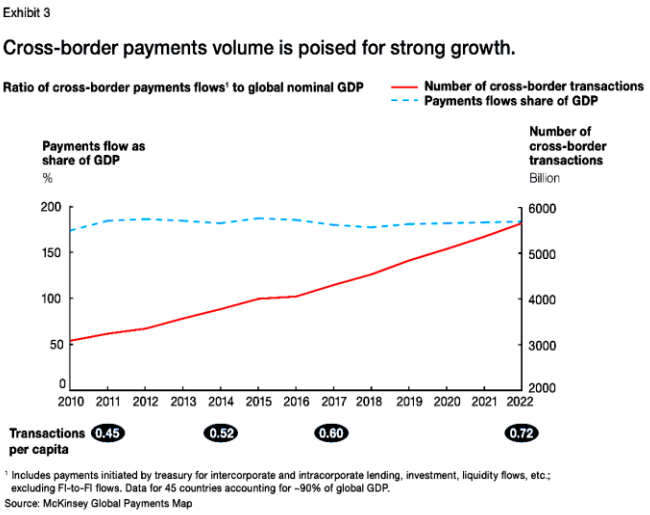
It appeals to the fundamental principles of human interaction and strives to offer each individual as much autonomy as possible before their preferences become too strong and begin to trump those of others. The notion is primarily democratic in that the network is immutable – individuals do not have the authority to change or alter the system without the approval of a majority of the people. This type of governance system is unlike any other currently available operating system, which is primarily centralised. As a result, its distinguishing feature provides it with several opportunities to thrive as well as fail.

Remittances

Remittances, or money sent home by foreign workers, play an important role in many emerging economies. Traditional remittance systems, on the other hand, can have exorbitant costs and lengthy processing delays.

Cryptocurrencies like Bitcoin are transforming the scene by enabling faster and less expensive cross-border transactions. Workers can send money to their family for less money, ensuring that more of their hard-earned money reaches its intended recipient.

The rise of cryptocurrency, particularly Bitcoin and Ethereum, has revolutionized the way society thinks about digital transactions. These digital currencies offer several benefits such as reduced transaction costs, faster settlement times, and increased transparency in transactions [7]. Traditional payment systems often charge high transaction fees ranging from 2% to 5% of the transaction amount.



Over the years, the use of cryptocurrency is rapidly increasing due to their potential to offer faster, cheaper, and more accessible international money transfer options.

Inflation Hedging

Several emerging markets are confronted with high inflation rates, which have a negative influence on the value of their national currencies.

Cryptocurrencies, particularly those with fixed supply, such as Bitcoin, are viewed as a hedge against inflation. As a result, investors in these regions are turning to cryptocurrencies to protect their capital as fiat currencies depreciate. This shift is contributing to the growing popularity of cryptocurrencies as a means of storing value.

Bitcoin's decentralised nature allows people in third-world countries to trade with others all over the world. In principle, all that is required to begin Bitcoin trading is a crypto wallet and a reliable internet connection. Individuals and companies alike benefit from utilising Bitcoin as an alternative to centralised money, particularly in nations with a significant proportion of unbanked citizens.

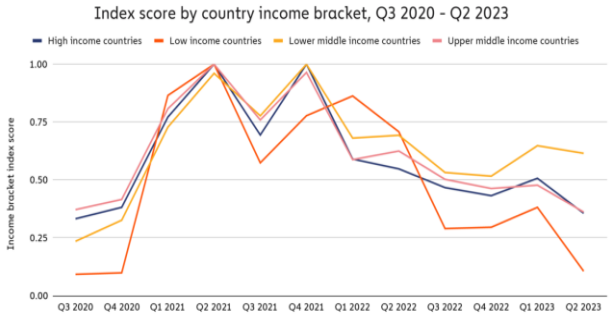
Financial institutions can be hostile to low-income people, making it harder for them to get basic financial services. Even creating a normal savings account may be difficult for some, because banks nearly always have a slew of documentation and conditions. Loans may also be out of reach for many people, including entrepreneurs in need of start-up capital.

Financial inclusion in emerging market

When considering the modern banking and value-holding environment, it is critical for an economy to prioritise the balance of privacy and inclusiveness within the financial system. With blockchain's guarantee of anonymity and greater equity among participants, digital assets appear to meet this purpose. Although some argue that the rise of digital currencies is simply an opportunity for governments to reclaim power from citizens, it is important to

consider a recent example of how current institutions fail to serve the people, reinforcing the need for modernization [16].

Index score by country income bracket, shown that all type of income countries increasing in 2021 and decreasing through out the years until 2023. Until like 2024. The financial inclusion of being intended to exchange finance things to be in one form to be ex.



The promises of increased financial inclusion and faster payments in times of crisis suggest that economies will have more tools and a stronger capacity to construct, or rather, repair, the economy and empower citizens through digital financial systems. Understanding greater equality and efficiency is crucial for demonstrating future adoption of digital assets.

Economic growth and cryptocurrency

The significance of virtual currency or cryptocurrencies on the Indonesian economy should not be underestimated. Currently, considering that the largest countries that allow the usage of virtual money have a significant economic relationship with Indonesia. One of the positive impacts of cryptocurrency is that it stimulates a country's economy by significantly influencing interest in transactions, which causes economic activity to increase. One of the interests of this transaction model is the efficiency and effectiveness of crypto which can be done anywhere without intermediaries.

The current situation of dropping virtual currency value must be monitored. Because this has the potential to negatively impact the country's economy. Japan and Korea could be the countries with the greatest user activity. Indonesia is likely to be harmed if there is a currency crisis caused by bitcoin. The transmission of the impact of the cryptocurrency-caused crisis is indeed long, and in fact still far away.

The market capitalization of cryptocurrencies is quite tiny in comparison to stock indices such as the Composite Stock Price Index (IHSG), the South Korean Stock Exchange (KRX), and the Tokyo Stock Exchange (JPX), according to indicators.

According to Bitcoinity.org figures as of February 5 2018, the cryptocurrency market capitalization was around US$153.36 billion as of February 4 2018. JPX's interim market capitalization is $5.12 trillion, KRX's is $1.33 trillion, and IHSG's is IDR 7,390.39 Trillion. The most essential consideration is the hazards of virtual money, both in terms of its role as a means of payment and as a commodity.

Blockchain technology can have a real impact on accelerating the developing countries’s economy. Access to granular, connected and open data will be very valuable for making decisions, so that it can increase efficiency for the business sector and support the government in determining policies that are right on target.

CONCLUSION

In conclusion, The fundamental benefits of cryptocurrency cannot be manipulated and is transparent, therefore it has the potential to revolutionise numerous sectors and enterprises

around the world. The blockchain revolution will simplify transactions at all levels of society, including MSMEs and farmers, who already benefit from internet access.

With current technical advancements, developing country has the ability to grow at a rate comparable to other countries, especially established countries that are actively building business through this technology. Blockchain technology has the potential to boost corporate competitiveness and reinforce developing country, for example, Indonesia's position as the only Southeast Asian country with a GDP that ranks among the top 20 in the world.

The potential benefits of blockchain have drawn attention from both business and governments around the world. Advanced economies see adoption of new digital technologies to fuel economic growth and improve business and governmental processes. Blockchain technology offers promising solutions especially for transactions where trust is prominent, with its transparency, auditability, and accountability features.

The study's findings reveal that the effectiveness of blockchain applications and their contribution to country development are dependent on a country's degree of development, politicians' attitudes towards transparency, and the country's technological infrastructure. For example, the high level of political instability in many African nations may make it difficult to deploy blockchain initiatives.

Another issue is the degree of technology infrastructure required to execute blockchain solutions. Many developing countries lack the digital infrastructure and cash required to construct such infrastructure. However, infrastructural constraints may also be opportunities. A lack of telephone infrastructure, as observed two decades ago, led to a more rapid adoption of mobile technologies.

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