



## **DIGITAL CURRENCIES LINKAGE WITH COVID-19 PANDEMIC PERIOD IN WESTERN BALKAN**

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### **Abstract**

*Covid-19 disrupted most of the economic sectors of Europe and specifically on the Western Balkan States. These countries were among the European countries that were struggling to build their economy even before the Covid-19 Pandemic. The financial sector, however, was growing before the Pandemic struck. After the Covid-19 Pandemic, the traditional financial sector was significantly hit, but the digital currencies were observed to rise in value and use. This study focuses on the Western Balkan States and how Covid-19 affected the use of digital currencies. The results had shown that when other economic sectors were declining, digital currency use and values were growing.*

*Keywords: Digital Currency, Covid19, Pandemic, Western Balkan States*

### **INTRODUCTION**

Covid-19 Pandemic has affected many countries across the globe socially and economically. Europe is one of the worst-hit continents by 2021, having experienced first wave, second wave, and third wave. Most of the European countries were forced to impose complete lockdowns and curfews, leading to loss of employment to some people and others working at

home. Some individuals lost their loved members of the families and friends, leading to psychological problems (OECD, 2020: Schuh, 2020). In Western Balkan societies, the impact of this disease was felt across all sectors in the six countries, i.e., Albania, Bosnia and Herzegovina, North Macedonia, Montenegro, Serbia, and Kosovo. Business firms had to change their traditional ways of doing business in order to be able to reach their consumers (Svrtinov et al., 2020). One major change was witnessed in the digitization of these countries. By 2019, the average number of households connected to fixed broadband connection in Western Balkan countries was 66.67 percent (OECD, 2020), while the number of households with mobile broadband internet connection was 47.33 percent.

The broadband connectivity in Western Balkan countries was far below the European nation average household connectivity, which was 78 percent and 56 percent of fixed and mobile internet connection. Kosovo had the highest number of households connected to the fixed broadband with 91 percent, while Serbia had the highest mobile broadband internet connection with 57 percent (OECD, 2020). In 2020, these countries were among the most affected by the Covid-19 Pandemic. The governments of these countries hence imposed lockdowns and started the policies of working from home. They hence increased the broadband connectivity in the household levels (OECD, 2020). Digitalization also affected the use of currency in these states. With the traditional buying and selling interrupted by the virus, the Western Balkan societies shifted to online buying and selling, and hence the digital currency gained more popularity. This paper studies how the digital currencies or widely known cryptocurrencies use have been affected by the Covid-19 Pandemic in Western Balkan society (Bossone, 2021: Schiffbauer & World Bank, 2020: Shkodra, 2020). Its objective is to determine whether the use of digital currencies went high or down and whether this Covid-19 favored or disadvantaged the growth of these currencies in these six states.

## Research Questions

Covid-19 has caused many economic sectors of Western Balkan countries to face the risks of losses while other sectors benefited from it. One of the sectors that were significantly impacted was the financial sector. Traditional financial institutions like banks were forced to adopt a digital currency to compete with the modern setup of digital currencies. The world of cryptocurrencies appeared to resist the impact of the Covid-19 Pandemic. With the government increasing the broadband connectivity in those countries, e-commerce was revolutionized. This study will assess the perception of the citizens from Western Balkan societies using the following research questions:

**RQ1:** Did the number of users of the digital currencies increase or reduce during the covid-19 Pandemic?

**RQ2:** How were the experiences of the Western Balkan societies with the digital currencies in Western Balkan countries?

**RQ3:** How do the future of digital currencies in Western Balkan societies from the analysis of the Covid-19 pandemic period?

## **METHODOLOGY**

The research used quantitative data from various research participants, including the financial institutions and individuals users of digital currencies. The participant came from the six Western Balkan societies and hence took three weeks to collect the data required for this report. This paper used quantitative data since it proved efficient to analyze the data and proved more dependable than the qualitative data. The financial institutions and the digital currencies users were found to be the most suitable participants of this study since the digital currencies directly impacted them. Since the Pandemic had caused most countries to close the operations of their airports, especially foreign flights, and the cost factors, this study used online questionnaires and oral interviews.

From a population of 300 participants used, a sampled population consisting of 60 subjects. Every subject consisted of three members of financial institutions and seven users of digital currencies. The users filled the questionnaires while the individuals from financial institutions contributed to the interview. Both the interviews and questionnaires used the English language since its very common language was used in most European Union states. A regression analysis was done where the digital currency is the dependent variable and Covid-19 an independent variable.

The questionnaires were distributed to the respondents via the social media network. They targeted to reach as many users as possible from a different age. The questionnaires were designed to ask the name of the users, the country of origin, the age, and the whether they were users of the digital currency. If the respondents met those criteria, they continued to answer the second sections, which contained the below questions.

**Q1:** How frequently did u use digital currencies during the covid-19 Pandemic?

Observation 1: Very many times

Observation 2: many times

Observation 3: never used

**Q2:** How was your experience with the digital currency mode of operation?

Observation 1: excellent

Observation 2: very good

Observation 3: good

Observation 4: poor

**Q3:** From the experience in the Covid-19 pandemic period, were you attracted to use digital currencies more?

Observation 1: yes

Observation 2: I don't have a choice

Observation 3: not really

The oral was carried out via software, i.e., zoom and WhatsApp video calling. The following questions were prepared for the interviewees.

Q1: How long have you worked in a financial institution?

Q2: Did the digital transaction increase during the Covid-19 Pandemic?

Q3: How is the growth of digital marketing during the covid-19 Pandemic?

## ANALYSIS AND RESULTS

Table 1 Country \* users experience with digital currencies Crosstabulation

Count		users experience with digital currencies				Total
		excellent	very good	good	poor	
Country	Albania	8	0	0	2	10
	Bosnia	3	5	1	1	10
	North Macedonia	6	3	0	1	10
	Montenegro	6	3	1	0	10
	Serbia	9	0	0	1	10
	Kosovo	4	1	3	2	10
Total		36	12	5	7	60

Table 2 Country \* will use digital currency in the future Crosstabulation

Count		will use digital currency in the future			Total
		yes	I don't have a choice	not really	
Country	Albania	6	3	1	10
	Bosnia	6	4	0	10
	North Macedonia	9	0	1	10
	Montenegro	6	2	2	10
	Serbia	6	0	4	10
	Kosovo	7	3	0	10
Total		40	12	8	60

Table 3 Correlations

		users experience with digital currencies	Frequency of using digital currencies	will use digital currency in the future
Pearson Correlation	users experience with digital currencies	1.000	.238	.268
	Frequency of using digital currencies	.238	1.000	.358
	will use digital currency in the future	.268	.358	1.000
Sig. (1-tailed)	users experience with digital currencies	.	.034	.019
	Frequency of using digital currencies	.034	.	.002
	will use digital currency in the future	.019	.002	.
N	users experience with digital currencies	60	60	60
	Frequency of using digital currencies	60	60	60
	will use digital currency in the future	60	60	60

Table 4 Country of participant \* Digital currencies transactions rose during Covid-19 Crosstabulation

	country of participant		Digital currencies transactions rose during Covid-19		Total
			yes	not really	
Albania		Count	3	0	3
		% within country of participant	100.0%	0.0%	100.0%
Bosnia		Count	2	1	3
		% within country of participant	66.7%	33.3%	100.0%
North Macedonia		Count	3	0	3
		% within country of participant	100.0%	0.0%	100.0%
Montenegro		Count	1	2	3
		% within country of participant	33.3%	66.7%	100.0%
Serbia		Count	2	1	3
		% within country of participant	66.7%	33.3%	100.0%
Kosovo		Count	2	1	3
		% within country of participant	66.7%	33.3%	100.0%
Total		Count	13	5	18
		% within country of participant	72.2%	27.8%	100.0%

Table 5 Regression coefficients

Model		Unstand. Coeff.		Std. Coeff.	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	.897	.363		2.469	.017
	Frequency of using digital currencies	.231	.191	.163	1.205	.233
	Will use digital currency in the future	.302	.194	.209	1.552	.126

a. Dependent variable: users experience with digital currencies

The Pearson correlation factor between the experiences of the digital users with digital currencies showed a little relationship with the users' frequency of using these currencies and their future embrace of this financial technology. However, the Pearson coefficient was high for the two variables, i.e., frequency of using the digital currencies with the future tendency to uses them. Nevertheless, the table showed that many people are ready to use digital currencies after their experience with those services during the Covid-19 Pandemic. North Macedonia has many people attracted by cryptocurrencies, while Serbia had fewer individuals who loved the digital services.

## DISCUSSION

While other sectors suffered a blow from the Covid-19 Pandemic, the digital currencies were winning against traditional payments. The fact that this currency was growing despite other businesses falling is clear from the primary data collected from the users. With most of the users who had the services of these currencies in the Covid-19 pandemic period accepting that it's an efficient currency to use, the chances of overtaking traditional financial businesses are high. Vinuela et al. (2020) found that the current and future world favors digital currency over conventional currencies. Even the financial institutions that offered the traditional currencies as their mode of the transaction have adapted to the new digital currencies (Agur et al., 2020: World Bank Group, 2020). Therefore Western Balkan countries will continue to use the digital currencies even after the Covid-19 Pandemic is over.

Investors in the sector of cryptocurrencies are gaining a competitive advantage over the traditional currencies institution. The Covid-19 and users have accelerated the rise of digital currency have increased in Western Balkan states. According to a report by Deloitte (2020), cash money is being challenged by digital currencies and will be the most used currency in the future century. The World Bank also has central bank digital currencies (CBDCs), and they have also found that it was the most used type of currency in 2020. It has enabled efficient, cheaper,

and faster payments. Western Balkan countries are also making progress in this field of digital currency. Although it had a struggling economy before the Covid 19 Pandemic, it has maintained consistency in the growth of digital currencies. The people interviewed who were economically knowledgeable expressed their hope for the future growth of these sectors from the experiences of the Coronavirus pandemic. In her speech, Christine Lagarde, the European Central Bank president, noted that the Coronavirus pandemic had increased digitalization in the e-commerce sector and the use of digital currencies in Europe in general (Lagarde, 2020). The Balkan countries were among those who contributed, which caused this change.

## CONFLICT OF INTERESTS

Although this research was carried out in a very challenging time of Covid-19, there was no conflict of interest, and I focused on the objectives of this study until the end. I also never had a conflict of interest with other authors, and the main goal of this research was driven purely by search of knowledge about the Western Balkans and their perception of digital currencies without bias.

## ETHICAL CLEARANCE

During this study, I applied the APA ethical codes that advocate that a researcher respect confidentiality and privacy. Therefore the questions that were crafted in the questionnaires and interview avoided critical personal information like the researcher's age since some interviewees felt uncomfortable sharing their age with the interviewees. In this research, I respected the participants' rights to withdraw from the research at their own convenience. However, no interviewee withdrew, and I'm grateful for it. The significant risk that could have affected my interviewees was the risk of contracting Covid; I opted to use zoom and WhatsApp for the communication.

## FUNDING

In this research, the fund was a challenge since I funded it with a bunch of my friends. It was hard for me to convince them to contribute to my course of this research, but I'm grateful a few of them heeded my pleas and decided to assist me.

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