

Effect of Crypto Currency on Financial Market in Kenya

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Abstract

Purpose: This study sought to determine the effect of cryptocurrency on financial market in Kenya. The study sought to specifically determine the effect of Bitcoin Ethereum, and Litecoin on financial market in Kenya.

Methods: The current study adopted a qualitative research design. The specific research design qualitative research design that was adopted was a desktop research design.

Results: Studies have agreed that crypto-currencies have an impact on the financial market. However, studies observes that though cryptocurrency market have a significant effect on financial market, the impact is negative. The study therefore recommends that the government must consider developing explicit regulations for cryptocurrencies.

Conclusion: The government may potentially make money by levying fees on digital and online transactions, but this benefit can only be realized if the crypto business is governed by a proper legal framework.

Keywords: *crypto-currency, bitcoin, Ethereum, Litecoin, financial market*

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1.0 Introduction

Cryptocurrency is said to have emerged in the early 1980s in an attempt to create a decentralized currency to trade online. Online currency in the 1980s was popularly known as "cyber currency". The idea of online currencies was further improved in the 1990s. However, the biggest concerns then were security and double-spending. Double spending refers to a situation where the currency is copied and reused for further transactions (Raskin, & Yermack, 2018). However, this crypto currency business was fueled by the events of the economic recession of 2007 to 2009, giving rise to the global financial crisis. During this time, a number of people lost some degree of confidence in physical currency. The first cryptocurrency, known as Bitcoin, came into existence in 2008 (Agu, 2020).

Today, cryptocurrencies, which have started to make their name known with Bitcoin, are beginning to take an important place in the world of finance. It is defined as virtual coins that take advantage of cryptographic systems, which are not tied to a central authority, and whose security level is greater than that of other coins (Yildirim, 2018). Since cryptocurrencies are a product of the virtual economy, transactions can be made easily and quickly over the Internet without the need for banking transactions. Although cryptocurrencies have the characteristics

of being a means of investment and savings just like traditional currencies, they are not subject to a central authority and are not subject to legal regulations, which distinguishes virtual currencies from traditional currencies. With the increase in interest in these currencies, investors have started to create a new portfolio for themselves (Asena Deniz, & Teker, 2020).

The financial markets operate under a defined prudential regulation that upholds the core of being integral and compliant with the set standards when servicing their users across the board. Abiding by the regulations must give them a competitive edge against any new concept that may appear to be decentralized as they will call policymakers and implementers to safeguard their interests and clients in the non-biased market. The application of Cryptocurrencies is a new phenomenon for the financial institutions based on its unique feature and ability to operate in a decentralized platform (Pathal, Malik & Mohanty, 2018). The financial sectors are controlled by the third party and having a peer-to-peer digitalized ledgers assuming their innate roles becomes a resounding scenario and hard to choose a dynamic and riskier financial world where cyber security is a concern and liability acceptance hangs at the balance (Aketch, Mwambia, & Baimwera, 2021).

Cryptocurrencies can influence the money supply in the market. When the total value of money changes relative to the total value of goods in the market, it affects product prices and consumption (Agarwal et al., 2018). Typically, governments take measures to adjust inflation by reducing output to stabilize prices or increasing prices to restore output. If citizens start using cryptocurrencies instead of the national currency, the demand for the national currency will weaken, leading to its devaluation. Increased inflation of the national currency affects even those who do not accept cryptocurrencies (Vu, 2020).

The usage of cryptocurrencies in developing countries especially for international remittances and transfers has shown significant benefits such as lower transaction fees. The already prevalent use of mobile money in developing countries may aid Bitcoin's adoption. Mobile banking functions such as sending international remittances could easily be replaced by using a Bitcoin wallet, which offers much lower transaction costs than traditional banking services, especially when doing low value. It is believed that Bitcoin adoption and Internet banking share parallels in that both involve the adoption of an innovative technology and both are susceptible to the effects of social phenomena and personal bias (Kimani, 2021).

In comparison with South Africa and Nigeria, Kenya is the leading financial heavyweight in Africa. It has cutting-edge technological advancements such as the renowned M-Pesa money transfer system. Contrary to many developing nations, Kenya has seen a considerable increase in the usage of cryptocurrencies (Kamau, 2022). Kenya ranks sixth globally in terms of the adoption of cryptocurrencies, according to the Chain analysis 2021 Global Crypto Adoption Index. Kenya had the largest volume in Africa in 2020, coming second only to Nigeria, with Bitcoin trades totaling approximately 6.48 billion Kenya shillings (Insight, 2021). As the Kenyan Shilling struggles and inflation soars, citizens are in pursuit of financial stability, leading many to embrace cryptocurrencies. Over 6 million Kenyans now own cryptocurrencies, using them as a hedge against inflation, a means for international trade, and a safeguard for their savings.

Many Kenyans hold Bitcoin as the base currency when buying other cryptocurrencies since Bitcoin is the most famous and valuable digital currency in Kenya. Cryptocurrency employs cryptography to make it almost impossible for counterfeiters and dual spenders.

Cryptocurrencies have no central authority, which suggests they can be sent from person to person without relying on banks or governments for support and security against inflationary forces. *Kenya holds more than \$1.5 billion worth of Bitcoin alone, equating to 2.3% of Kenya's GDP. Substantially, this figure does not include other cryptocurrencies, such as Ethereum or Dogecoin. These statistics indicate that cryptocurrency is accepted by Kenyan society despite the CBK's warnings.* The other forms of cryptocurrency in Kenya include Ethereum, Litecoin, Cardano (ADA), Ripple (XRP), Dogecoin (DOGE) and Solana (SOL), among others.

1.1 Crypto Currency

Cryptocurrencies are an online payment system and digital currency that involves encryption techniques for the generation and regulation of currency units. It also involves the funds' transfer verification. Cryptocurrencies operate independently without connecting with a central bank (Ssaharti, 2022). Ameer (2020) further indicated that cryptocurrency is a tool to support the development process in developing countries by growing financial inclusion, providing better traceability of funds, and enabling people to escape poverty. Cryptocurrency can provide a major gain by overcoming a lack of social confidence and increasing access to financial services (Ammous, 2018).

According to Holtmeier and Sandner (2019), there are several advantages of cryptocurrency. First, cryptocurrency combines important properties to foster trust, such as accountability and transparency. It allows trust of free interactions between counterparties. Second, the decentralization of cryptocurrency is something that governments are unable to control. As a result, cryptocurrency is not limited to a single geographic region and can be exchanged anywhere in the world. Third, the speed of money transfer is increased by eliminating intermediaries. Fourth, cryptocurrency through a digital financial system enhances the financial inclusion of adults that has been excluded from the traditional financial system. Fifth, cryptocurrency creates employment opportunities through mining (Zakarneh, Qaroush, & Dawabsheh, 2022).

There are currently 2981 cryptocurrencies. However, the very well-known are Bitcoin (BTC), Ethereum (ETH), Ripple (XRP), Tether (USDT) Bitcoin Cash (BCH), Bitcoin SV (BSV) Litecoin (LTC). Bitcoin is a cryptocurrency that operates on blockchain technology. It is primarily traded on online cryptocurrency exchanges. Unlike central banks that can arbitrarily adjust the supply of fiat currencies, the supply of Bitcoin is fixed and cannot be influenced by political decisions (Son, 2021). Bitcoin is a form of digital currency not issued by a government or a financial institution, but created and operated on a peer-to-peer computer system. Being a digitally stored virtual currency, Bitcoin carries the risk of being hacked, stolen, having data altered, or experiencing trading suspensions Bitcoin can prompt financial institutions to update or add existing technologies, adjust fee structures, and enhance services or expertise to track and understand government regulatory issues. Blockchain technology can be leveraged to bring better efficiency to the financial services sector, potentially saving consumers billions of dollars per year (Magnuson, 2018). The current price of Bitcoin is KES 8,878,108.14 per BTC. With a circulating supply of 19,769,396 BTC, it means that Bitcoin has a total market cap of KES 175,519,452,453,530.90. Bitmama is the best cryptocurrency trading platform to buy and sell Bitcoin in Kenya.

By market capitalization, Ethereum is second to only to Bitcoin. Ethereum's transactions are affected in a currency called Ether. Ethereum also operates on a blockchain protocol that

enables users to execute smart contracts (Thoren-Peden et al, 2013). As the name suggests, smart contracts are legal contracts that have an automated executing command carried out by a computer program under the terms and conditions set out under a pre-coded contract or agreement within an operating system (Munyua, 2021). The current value of 1 ETH is KES 339,270.00 KES. Bitmama is the best cryptocurrency trading platform to buy and sell Ethereum in Kenya securely using local currency.

Litecoin is the fourth largest cryptocurrency by market capitalization. Litecoin works similarly to Bitcoin, but transactions are processed much faster than Bitcoin. This makes Litecoin an attractive alternative coin for currency transactions (Madichie et al., 2023). Since more Litecoin can be generated through mining, the price of each Litecoin is cheaper than Bitcoin, making transactions easier. If Bitcoin is often referred to as “gold,” then Litecoin is seen as “silver.” Litecoin has a lower value than Bitcoin but is easier to access and better suited for regular transactions. The creation and transfer of Litecoin are based on an open-source protocol and are not regulated by any central authority (Marobhe, 2022). The current price of Litecoin is KES 9,477.44 per LTC. With a circulating supply of 75,096,855.816 LTC, it means that Litecoin has a total market cap of KES 709,570,930,819.18. The amount of Litecoin traded has risen by KES 15,297,908,485.39 in the last 24 hours, which is a 27.35% increase. Bitget is legally accessible in Kenya and conducts Litecoin trading.

1.2 Financial Markets

Any market where trading in securities takes place, such as the stock, bond, FX, and derivatives markets, is referred to as the financial market. For capitalist economies to run smoothly, financial markets are essential. Financial markets allocate resources and provide liquidity for companies and entrepreneurs, which is essential to the proper operation of capitalist economies. Trading financial holdings is made simple for buyers and sellers by the markets. Financial markets produce securities products that yield returns for lenders and investors who have surplus money, and they also make that money available to borrowers who need more money (Hayes, 2022).

One kind of financial market is the stock market. When individuals purchase and sell financial items, such as stocks, bonds, currencies, and derivatives, financial markets are created. To guarantee that prices are set in a way that is both appropriate and efficient, financial markets rely significantly on informational transparency. While certain financial markets, such as the New York Stock Exchange (NYSE), exchange trillions of dollars’ worth of assets every day, others are tiny and barely active. A financial market that allows investors to purchase and sell shares of publicly traded corporations is the equities market, sometimes known as the stock market. New stock issues are sold on the principal stock market. The secondary market, where investors purchase and sell securities, they already hold, is where any further stock trading takes place (Hayes, 2022).

The Consumer Price Index measures the overall change in consumer prices based on a representative basket of goods and services over time. The CPI is the most widely used measure of inflation, closely followed by policymakers, financial markets, businesses, and consumers.

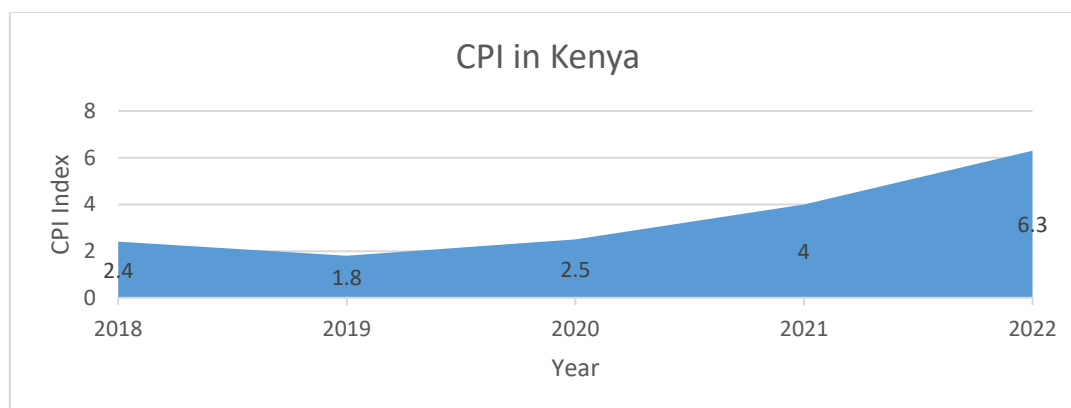


Figure 1: CPI in Kenya

1.3 Problem Statement

Digital financial trading has brought a new dimension of financial technology transactions to the globe. Cryptocurrency trading is one of the new dimensions. However, cryptocurrency trading is plagued with unlawful and monetary corrupt practices, unregulated foreign currency markets, and unknown party participants. Thus, it creates the unpredicted challenge of instigating fear in the investors' minds and scaring away economic agents, and in turn, it adversely affects economic activities (Fakunmoju et al., 2022).

Kenya still lacks access to financial inclusion and weakness in the present financial system as reported by the World Bank Survey. This can be inferred from the presence of Bitcoins that not only disrupted the markets but also created new entities. Bien and Oanh (2021) further indicated that there is significant growth in the quantity and value of cryptocurrencies poses challenges for financial and banking systems, as well as the management of central bank monetary policies aimed at controlling macroeconomic variables such as inflation, interest rates, and exchange rates.

Past studies have been conducted but little has been done to analyze the effect of cryptocurrency on financial market in Kenya. Nam (2023) focused on the impact of cryptocurrencies on financial markets. The study adopted used secondary Asena DenizTeker (2020) focused on cryptocurrency applications in financial markets: factors affecting cryptocurrency prices. Wang, Lucey, Vigne and Yarovaya (2022) focused on the effects of central bank digital currencies news on financial markets. Kamau (2022) focused on the cryptocurrency market in Kenya. The current study therefore sought to determine the effect of analyzing the effect of cryptocurrency on financial market in Kenya.

1.4 Objectives of the Study

- i. To determine the effect of bitcoin on financial market in Kenya.
- ii. To determine the effect of Ethereum on financial market in Kenya.
- iii. To examine the effect of Litecoin on financial market in Kenya

2.0 Literature Review

2.1 Empirical Review

Nam (2023) focused on the impact of cryptocurrencies on financial markets. This study aims to measure and evaluate the impact of cryptocurrencies on financial markets by considering

their effects on exchange rates, gold prices, oil prices, and stock indices. The research results indicate that cryptocurrencies have an impact on the financial market. Specifically, the study also identified the inverse effect of currency pairs on cryptocurrencies and the interaction between different cryptocurrencies. Consequently, financial market regulators, especially the agency responsible for monitoring the volatility of cryptocurrencies, exchange rates, gold prices, oil prices, and stock indices, have a basis for devising appropriate plans. From this research, managers can implement policies that enhance financial education and communication to help individuals understand the nature of virtual assets, especially cryptocurrencies while creating motivation towards accepting cryptocurrencies in Vietnam. The study was done in Vietnam while the current study was done in Kenya.

Shaturaev (2023) focused impact of crypto currency market on the performance of stock market in an empirical study. It considers US S&P500 daily index as the dependent variable while daily price and volume of Bitcoin as independent variables and daily US volatility index and oil prices as controlled variables from 2017 to 2021. Applying a simple regression model, this study observes significantly negative impact of cryptocurrency market on the performance of stock market while it notices an insignificant but positive impact on the same. Both US VIX and oil prices also negatively affect the performance. The study's dependent variable was performance of stock market while the dependent variable of the current study was financial market.

Asena DenizTeker (2020) focused on cryptocurrency applications in financial markets: factors affecting cryptocurrency prices. The database includes the Daily prices of Bitcoin, Ethereum, Ripple, gold, and Brent oil prices between the period of 2018-2020 which consists of 500 daily data. A natural logarithm for each indicator is used. The series is found to be stationary at first difference. According to the cointegration test result, cointegration could not be found between the data. According to Granger causality analysis, only a one-way relationship was found between bitcoin to gold. Impulse response graphs indicate that all variables respond in a reducing way to reducing shocks that occur in each indicator. Shocks have lost their effect on average in 2 days. The results indicate that the effect of gold and Brent oil prices on bitcoin, Ethereum, and ripple daily prices do not have a strong effect. The results may be beneficial for investors to consider diversification for their portfolios. The study collected secondary data while the study used empirical studies.

Aljaed (2024) focused on the impacts of bitcoin on the financial market. The secondary data used in this study include articles, books, and internet sources. In this manuscript review, the most significant Bitcoin studies were included to explain the critical functions of this digital currency on the financial market. A descriptive analysis of the key objective was examined, which explains the impact of Bitcoin on the financial market. The study aims to investigate the dynamic price nature of Bitcoin, its economical and efficient aspects, and Bitcoin as a currency vs. asset. Moreover, the relevant information related to the stock market, bond mark, overstock, and derivatives was also examined. Qualitative analysis was employed to achieve the study objective. The notion of virtual money possesses the authority to mainly change the method of global finance for development. Nevertheless, this change is based on favorable conditions and democratic principles. The notion is a practical and technological effort in the first phase of development. Bitcoin users and several more ranges of cryptocurrencies must focus on the

actual limitation of the concepts. The study was descriptive while the current study used a desktop research design.

Mansour et al. (2024) focused on the impact of the cryptocurrency market on Islamic vs. Conventional Stock Returns: Evidence from Gulf Cooperation Council Countries. Against this backdrop, this study aims to empirically investigate the impact of cryptocurrency returns on Islamic vs. conventional stock returns in Gulf Cooperation Council (GCC) countries. The salient distinctions between Islamic and conventional stock markets include fundamental differences in principles, investment allocations, and risk profiles, underscoring the importance of examining the impact of cryptocurrency returns on these distinct equity segments. With the GCC increasingly focusing on cryptocurrency markets, there is growing concern about these markets' potential impact on regional stocks. This study addresses the important questions of whether the impacts of the cryptocurrency market on Islamic vs. conventional stock markets differ throughout the GCC region and how these impacts have evolved since the crypto crash period. The findings reveal that cryptocurrency returns had a negative impact on both GCC Islamic and conventional stock market returns for the full sample period (2016–2019), and the negative effect was far more pronounced for conventional stocks. The study focused on Gulf Cooperation Council Countries while the current study was done in Kenya.

Fakunmoju, Banmore, Gbadamosi and Okunbanjo (2022) focused on effect of cryptocurrency trading and monetary corrupt practices on Nigerian economic performance. The research investigated the effects of cryptocurrency on the performance of the Nigerian economy. The specific objective was to examine the effect of cryptocurrency trading and monetary and monetary corrupt practices on Nigerian economic performance. The research used primary data through 98 copies of the questionnaire. Tobit regression method of analysis was applied to analyze the data. The finding reveals that cryptocurrency and monetary and monetary corrupt practices have a negative but significant effect on Nigerian economic performance. The research concludes that cryptocurrency and monetary corrupt practices affect Nigerian economic performance. The study was done in Tanzania while the current study was done in Kenya.

Arthur (2023) focused the effect of digital currency on monetary policy in Tanzania: An Empirical Investigation. The main variables of the study included BTC and MBT as the independent variables and M3 as a dependent variable. The quantitative methodology used involved the applications of econometrics analysis as the estimation method. The quarterly time series data used were obtained from both the Bank of Tanzania and the Tanzania National Bureau of Statistics. The main variables of the study included BTC and MBT as the independent variables and M3 as a dependent variable. The Vector Error Correction Model (VECM) was used to estimate the empirical regression model, while STATA software 14 was used to analyses the data. The results indicate of the VECM indicated that there was a significant negative relationship between BTC and M3 variables on the one hand, and a significant positive relationship between MBT and M3 variables in Tanzania. The study concluded that there was a significant effect of the digital currency on monetary policy in the country. The study however left out the aspect of the financial market which was the focus of the current study.

Kamau (2022) focused on the cryptocurrency market in Kenya: A Review of Awareness and Participation by the Youth. The study collected secondary data and conducted online surveys.

In this study, panel data from four different cryptocurrencies' values, transaction fees, and volumes over years were studied. The cost of transactions and the price of cryptocurrencies are important variables affecting the adoption of cryptocurrencies. The findings indicate a connection between the number of cryptocurrency transactions, their prices, and their transaction costs. The research also demonstrates how much the youth in Kenya are aware of and use cryptocurrencies. The study however focused on cryptocurrency market but failed to link it with financial market. The current study focused on the cryptocurrency market and financial market.

Naboulsi and Neubert (2018) focused impact of digital currencies on economic development in Kenya. The framework is then employed, via a case study, to examine the use of Bitcoin in Kenya using BitPesa as a platform and its effect reflecting on fostering growth in the economy. Findings suggest that there are concerns about Bitcoin's use including its price volatility and unregulated legal framework put in place on the use of digital currencies. The outcomes suggest that the use of BitPesa and Bitcoin technology had some impact on users understanding and adoption of the use of this technology and how it works. The results prove that using BitPesa to transfer money has reduced the cost of transfer for users. The study employed a case study research design while the current study adopted a desktop research design.

Wang, Lucey, Vigne and Yarovaya (2022) focused the effects of central bank digital currencies news on financial markets. The study showed that both indices spiked during news related to new developments in CBDC and in relation to digital currency news items. The study demonstrate that CBDC indices have a significant negative relationship with the volatilities of the MSCI World Banks Index, USEPU, and the FTSE All-World Index, and a positive with the volatilities of cryptocurrency markets, foreign exchange markets, bond markets, VIX, and gold. The results suggested that financial markets are more sensitive to CBDC Uncertainty than CBDC Attention as a proxy by these indices.

Muli (2019) focused on the effect of digital finance on money demand in Kenya. The study sought to investigate the effect of digital finance on the demand for money in Kenya. The study utilized time-series data covering the period 2007Q2 to 2018Q4. Estimation results reveal that digital finance negatively influences money demand. Therefore, financial developments have changed the monetary policy landscape in Kenya, with a decrease in the overall proportion of the unbanked population with a combined and sustained gradual decline in the currency circulating outside the banks. Based on the analysis, digital finance is a vital factor that determines the demand for money. This implies that increased uptake or subscription of digital finance reduces the demand for money. Earlier reviewed literature suggested that increased financial innovations can influence transactions which in turn affects the demand for money. The conclusion of this study, therefore, informs the regulatory authorities such as the Central Bank of the need to integrate digitalization of finance into their policy formulation. The study's dependent variable was market demand while the current study's dependent variable was financial market.

2.2 Theoretical Review

The study was informed by technology acceptance model theory and private interest theory.

2.2.1 Technology Acceptance Model Theory

Technology acceptance model was developed by Davis in 1989. The theory an emphasis on the reason why users accept or reject the information technology and how to improve on the acceptance by offering a way to support and foresee the acceptance more so in the financial markets. The Technology Acceptance Model is based on the two broad foundations of why the users accept technology and the construct of perceived utility and perceived facility (Wright, 2017).

The theory by Davis has relied on previous work such as the Theory of Reasoned Action by Fishbein and Ajzen (1975). The theory has ever since evolved in explaining different aspects of occurrences in the technological environment. Lee, Kozan and Larsen (2003) have also synergistically been able to state the importance of the model in explaining the long-term problem that has existed in terms of acceptance of a given technology. The Technology Acceptance Model or TAM has become a leading stereotype of analysing the features of user acceptance (Davis et al., 1989).

This research study will incorporate Technology Acceptance Model (TAM) to relate to the study's cryptocurrency usefulness and the simplicity pegged to the two main factors in describing users' acceptance or rejection of cryptocurrency-related services. The usage of technology is described as the extent to which an individual thinks that the adoption of a certain system will boost his/ her performance in the financial environment or other business-related services. The TAM model states that the adoption of technology is a decision reached by the user's motivational behavior to utilize and is also impacted by the attitude of the users when adopted. Attitude of the users is impacted by their opinions about technology, which are made up of the perceived ease of use and the perceived usefulness making it relevant in blockchain technology (Fitriyani & Sfenrianto, 2016).

2.2.2 Private Interest Theory

Private Interest Theory is informed by the presumption that regulation can be developed and advanced by private sector players without public sector interventions (Mizutani, & Nakamura, 2019). This theory presumes that mechanisms of regulation emanate from collective or individual efforts projected to enhance the interests of members. The theory further presumes that the realization of public interest motives is the ultimate objective of a regulatory framework. This theory is anchored on the understanding that regulations have failed to achieve their intended objective of public interest. The theory further postulates that the regulations have only served as externalities to those regulated sectors.

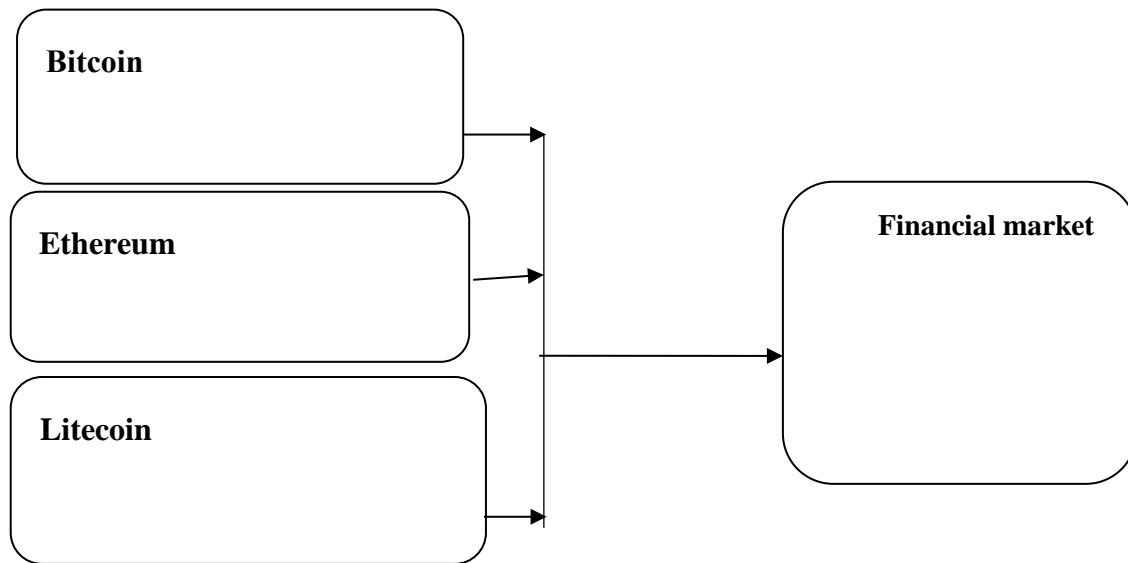
The significant regulatory failure of regulation of public interest has necessitated the consideration of private interest theory mode of self-regulation. Whereas the public interest theory advances the notion that market failure is occasioned by lack of regulations designed to promote access to public needs. Public interest theory is thus aimed at mitigating the failures in the market. In contradistinction, private interest theories contend that the enactment of regulations driven by the desire to advance public interest has often failed as those legislations have tended to promote limited interests of either some players in the market to the disadvantage of the public (Adams, & Tower, 1994).

Cryptocurrencies have been characterized as a form of currency. That characterization necessitates the concern – whether as a form of currency, cryptocurrency should be regulated, and if in the affirmative, then how. This dilemma has been at the center of stakeholders' concerns in the blockchain sector. Comparatively, the private interest theory of regulation has been preferred as being less cumbersome (Almlöf, & Bjuggren, 2019). Proponents of this theory also contend that the public interest theory is less favorable as it tends to limit the growth of the blockchain sector. Proponents of the private interest theory also favor self-regulation on account of the fact that regulators are not adequately endowed with the requisite technical skills and capacity to regulate the blockchain sector (Porter, & Ronit, 2006).

The theory also informs the financial market which is the dependent variable of the study. From the theory Private interest theories explain regulation from interest group behavior. Transfers of wealth to the more effective interest groups often also decrease social welfare. Interest groups can be firms, consumers or consumer groups, regulators or their staff, legislators, or unions.

2.3 Conceptual Framework

A conceptual framework, according to Daub et al. (2021), is a collection of broad concepts and theories that aid in the formulation of research questions and objectives as well as the identification of pertinent evidence to support the framework's assertions. The independent variables comprised of Bitcoin, Ethereum, and Litecoin. Financial market was the dependent variable.



Independent Variable

Dependent Variable

Figure 2: Conceptual Framework

3.0 Methodology

3.1 Research Design

Research design is the strategy or plan, that is used to obtain respondents, and how to collect data from them, to arrive at conclusions about a research question (Akhtar, 2016). There are three basic types of research design: qualitative research design, quantitative research design, and mixed-method research design. The current study adopted a qualitative research design. The specific research design qualitative research design that was adopted was a desktop research design. Desktop research (DR) reviews the previous research findings to gain a broader scope and thus is able to utilize large sample numbers to produce bias-free, measurable data about a user population (Wahid et al., 2023).

3.2 Data Collection

Cote (2021) defines data collection as the methodological process of gathering information about a specific subject. It is a systematic and standardized process of gathering and measuring information on variables that are relevant to a specific research topic or purpose. There are two types of data; primary and secondary data. Since this is a desktop study it utilized secondary data. There are two forms of desktop research which include internal desktop research and external desktop research. Internal desktop research of this study was collected from university libraries while external desktop research was collected online from various websites.

3.3 Data Analysis

According to Ott and Longnecker (2015), data analysis entails looking at the obtained data and drawing conclusions and inferences, which include identifying underlying structures, extracting crucial variables, looking for anomalies, and evaluating any underlying hypotheses. It entails examining the information that has been obtained and drawing conclusions. This study utilized qualitative data. Content analysis was used to present the data.

4.0 Conclusion

The largest cryptocurrency market in East Africa is found in Kenya. Regarded as one of the top five cryptocurrency markets on the continent, the nation has the biggest volume and interest in the subregion. According to Triple-A, Kenya is not as popular as Nigeria among African states with the highest percentage of Bitcoin ownership. Kenya was placed 15th in the world by CoinGecko in a survey about the nations most interested in cryptocurrencies in 2023. Kenya was included among the African nations most interested in cryptocurrencies in 2023 by the same cryptocurrency data firm. In Kenya, cryptocurrencies are mostly used for speculating, remittances, digital content creation (NFTs), and value storage.

In Kenya, cryptocurrencies are more than simply speculative or investment tools. It is being utilized more and more for useful goals that are advantageous to both people and companies. The incorporation of cryptocurrency payments into e-commerce and remittance services is one instance of this. Platforms such as BitPesa, which is now rebranded as AZA Finance, are revolutionizing cross-border transactions by enabling companies to send and receive money more cheaply and effectively than they could with conventional banking techniques.

Studies have agreed that cryptocurrencies have an impact on the financial market. However, studies by Shaturaev (2023); Mansour et al. (2024) Fakunmoju et al. (2022); Wang et al. (2022)

observe that though cryptocurrency market had a significant effect on financial market, the impact is negative.

One of the key findings of this study is that the level of participation in cryptocurrencies among Kenyans is significantly lower than the level of awareness. This means that, although many are aware of the existence of cryptocurrencies in Kenya, only a few have started engaging in the business. For various reasons, this study compares this finding with Insight (2021), citing Kenya as a leading country in the adoption of Fintech, and concludes that there is a slow uptake of cryptocurrencies. This could be due to the lack of central bank regulation as well as several cautions given by the government concerning the same. Another reason could be a lack of clear knowledge about how to deal with cryptocurrencies and, more importantly, their actual benefits.

5.0 Recommendations

The road ahead for Kenya in the cryptocurrency domain is fraught with challenges but also ripe with potential. As the nation contemplates its next move, it must balance the need for innovation with the demand for stability. With the world watching, Kenya's journey through the complex terrain of digital finance continues to unfold, promising to redefine the economic prospects and financial democratization for its people.

In an economy that is still growing, it becomes necessary to understand what implication changes in payment systems would have in demand for the control of monetary aggregates. A negative link between cryptocurrency and financial market implies that the Central Bank needs to align its policy targets to monitor and control stability in the economy through the regularization of digital transfers and transactions.

Further, the cost of transactions and the price of cryptocurrencies are important variables affecting the adoption of cryptocurrencies. Government regulation is essential for fostering some degree of investor confidence. The study therefore recommends that the government must consider developing explicit regulations for cryptocurrencies. The government may potentially make money by levying fees on digital and online transactions, but this benefit can only be realized if the crypto business is governed by a proper legal framework.

In the absence of crypto regulations, Kenya should borrow a leaf from other nations such as the United States of America which are already leap-frogging substantive crypto regulations. This will not only help the country keep up with this disruptive technology but will also help it contribute to the harmonization of cryptocurrency regulations enhancing trade with its global partners

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