
A look at what's driving the cryptocurrency market

By Editorial Staff Thu, Dec 21, 2017

For emerging market companies that face a shortage of hard currency, cryptocurrencies like Bitcoin and Ethereum represent a potential alternative to US dollars.

Like most people, you're probably just beginning to get your brain around the concepts of cryptocurrency and blockchains. It's hard to ignore the craze. As of today, the market capitalization of a cryptocurrencies reached a record \$634.7 billion (up from \$518 billion last week), according to Coinmarketcap.com.

Bitcoin accounts for \$277.3 billion of that, or about 44% (down from 54% last week). But [Ripple](#) became the world's third largest cryptocurrency by market cap when its price jumped 71% to \$0.79 last week. Ethereum and Litecoin have also experienced huge gains.

New applications for cryptocurrencies and blockchain technologies, especially in cross-border financing, are driving the market. Microfinance firms see the potential of providing cryptocurrency-denominated credit to make collateralized loans to small firms in emerging markets.

In Japan, GMO Internet Group plans a payment system that allows employees to receive some of their pay in cryptocurrency, according to Coindesk.com. Shipping firm Mitsui OSK Lines and IBM Japan intend to experiment with the application of blockchain technology to cross-border trade operations.

After its IPO listing last week, [Longfin](#) Corp announced the acquisition of Ziddu.com, a blockchain-based microfinance company that will lend to small and medium-sized enterprises (SMEs) against collateralized warehouse receipts in the form of "warehouse coins." Warehouse receipt financing uses secured stored goods to be used as loan collateral. Depending upon the borrower's risk profile, the interest will range from 12% to 48%.

Ziddu's warehouse coin is a smart contract. It enables importers and exporters to use their Ziddu coins, which are loosely pegged to the value of Ethereum and Bitcoin. The importers and exporters can convert offered Ziddu coins into Ethereum and Bitcoin and use the proceeds as working capital.

Businesses needed about US \$1.5 trillion more in credit than they could access in 2016, according to an Asian Development Bank (ADB). Small farmers in African countries and other frontier markets especially need micro-financing. African micro and SMEs need about US\$190 billion more than they can get from traditional banks.

For emerging market companies that face a shortage of hard currency, cryptocurrencies like Bitcoin and Ethereum represent a potential alternative to US dollars. Said Longfin chairman Venkat Meenavalli, "Cryptocurrencies are expected to act as a global financing currency."