

Chapter 2

Benefits From Using Bitcoin: Empirical Evidence From a European Country

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ABSTRACT

Bitcoin is the most successful approach for establishing a currency outside of state supervision and government institutions. Besides, Bitcoin is very controversial discussed. Therefore, a further investigation of different aspects of the benefit of using Bitcoin should be realized in order to identify some core aspects of the digital currency Bitcoin. In this context, the study described in the following achievements is done. It shows that there exist key aspects, like dissemination as well as safety, which are important impact factors on users' benefit of using a digital currency like Bitcoin. In addition, it also gives implications for a further development of the topic and aspects for future research.

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1. INTRODUCTION

For centuries, the privilege of issuing banknotes and coins had been exclusively assigned to states and government institutions. Only they were able to suppress forgery by criminal prosecution. At the same time, the monopoly on the creation of money was also an expression of power. Therefore, it does not surprise that the rise of Bitcoin (Nakamoto, 2008) is also regarded as a “democratic disruption of finance” (El-Erian, 2014). Both, positive as well as negative aspects of Bitcoin can be found in the public discussion. Some regard it as a means to drive financial sector innovation (Hileman, 2014) or even as a weapon to break U.S. dominance in financial markets (Sheng, 2014). Critical voices consider Bitcoin as evil (Krugman, 2013), a kind of ultra-liberal putsch in order to destroy governmental structures (Krugman, 2013).

A central trait of bitcoin is anonymity (Reid & Harrigan, 2013), although first concepts are developed in order to de-anonymize bitcoin users (Dupont & Squicciarini, 2015). Nevertheless, there is research striving to identify the most important user groups of bitcoin (Bohr & Bashir, 2014). This research found that the average bitcoin user is rather young, 33 years old. Most bitcoin users are living in the U.S. and selected libertarian as preferred political ideology. In consequence freedom from government regulations is an important motivation to use bitcoins. Over recent years, the interest in Bitcoin increases while more and more companies starting to accept Bitcoin as a digital currency. Companies can simply establish Bitcoin in their web pages due to payment service providers (Barber, Boyen, Shi, & Uzun, 2012). They provide supply Bitcoin as a payment information system in thousands of companies. For instance, the biggest payment systems are ‘Bitpay’ with over 50.000 and ‘Coinbase’ with more than 39.000 businesses and organizations. They include major companies like Dell, Microsoft, Expedia, Overstock.com and Wordpress (“BitPay,” 2015, “Coinbase,” 2015). The widespread practical use and the influence on Information Systems make Bitcoin of high relevance for information systems research (Giaglis & Kyriotaki, 2014; Glaser, Zimmermann, Haferkorn, Weber, & Siering, 2014). As a virtual currency Bitcoin can be used as a payment for services (Karame, Androulaki, & Capkun, 2012; Meiklejohn et al., 2013). However, Bitcoin can be also considered as a service (Sasson et al., 2014) or part of service-systems (Jim Spohrer, 2007).

The obvious fierceness of the discussions about Bitcoin makes it necessary to carve out the facts in a more clearly and precisely manner. Therefore, it is important to clarify what influences the benefits of using Bitcoin by using empirical research. This paper addresses the following research question: *What influences the benefit of using Bitcoin?* Thereby, the benefit of using Bitcoin can be defined as the advantages of the utilization of a digital currency (Bitcoin) from a user’s point of view.

Thus, this paper addresses two communities, the academic community and practical users of bitcoin such as enterprises. Academics will profit from the empirical insights as foundation for theoretical analysis. Potential users of bitcoin receive a framework allowing them to evaluate the benefits of bitcoin.

The contribution of the paper is to provide empirical insights into the benefits of using bitcoin. Existing research either tried to develop an economic model of bitcoin or analyzed the technological aspects such as anonymity. This research will address the research gap of the missing investigation of the benefits of using Bitcoin from a European view.

The paper is structured as follows: First, we give a short introduction to the topic about Bitcoin and develop a literature review (Cooper, 1998). In the next section, we define and explain the empirical research design and the method of structural equation modeling (Wong, 2013). Afterward, we discuss the findings of the research. Finally, the paper will be finished with a conclusion.

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