


Chapter 9

The Impact of Digital Currency Adoption on Business Performance

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ABSTRACT

This chapter examines the adoption of digital currencies by businesses and its effects on operational structures, financial strategies, and competitive positioning. It provides a detailed assessment of digital currency types, regional adoption patterns, and the role of supporting technologies such as blockchain, artificial intelligence, and digital wallets. The chapter explores how firms integrate cryptocurrencies, stablecoins, and central bank digital currencies into their models to enhance efficiency, enable microtransactions, and improve market access. It also addresses key challenges including volatility, regulatory uncertainty, cybersecurity, and financial reporting issues. Through real-world case studies and sectoral analysis, the chapter identifies strategic benefits for early adopters and offers practical recommendations

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for businesses seeking to evaluate or implement digital currency systems. The discussion concludes with projections on the future role of digital currencies in reshaping financial ecosystems and corporate operations.

1. INTRODUCTION

1. (i) Definition and Types of Digital Currencies

Digital currencies refer to forms of money or exchange that exist only in electronic form. Unlike physical currencies such as coins or paper money, digital currencies are intangible and are stored and transacted over digital systems. They rely on computer networks and cryptographic protocols to function securely without needing a central issuing authority in many cases (European Central Bank, 2019).

Digital currencies can be broadly classified into three main categories: cryptocurrencies, central bank digital currencies (CBDCs), and stablecoins. Cryptocurrencies are decentralized digital assets that operate on blockchain networks. They are not issued by any central authority, and their value is determined largely by market supply and demand. Bitcoin was the first widely adopted cryptocurrency, introduced in 2009, and it remains the most prominent example (Nakamoto, 2008). Other examples include Ethereum, Litecoin, and Ripple.

Table 1. Comparison of transaction costs: Traditional vs digital currency systems

Cost Component	Traditional System	Digital Currency System
Bank Intermediary Fees	1%–3% of transaction value	Not applicable
Credit Card Processing Fees	2%–5%	Not applicable
International Transfer Fees	\$10–\$50 per transfer	<\$1 flat fee (e.g., USDT, BTC)
Settlement Time	1–5 business days	Near-instant
Currency Conversion Fee	1%–3%	Not applicable if in crypto

Source: Catalini & Gans (2016); Ghosh et al. (2020)

The table 1 shows that businesses using digital currencies, particularly stablecoins and cryptocurrencies, can significantly reduce the costs associated with global transactions.

Central Bank Digital Currencies (CBDCs) are digital forms of sovereign currency issued and regulated by a nation's central bank. Unlike cryptocurrencies, CBDCs are centralized and aim to serve as legal tender. Countries such as China (with its e-CNY) and Sweden (with the e-krona) have initiated pilot projects or formal rollouts of CBDCs (Bank for International Settlements, 2021).

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