THE IMPACT THAT CRYPTOCURRENCIES HAVE ON THE PROFITABILITY OF SMALL BUSINESSES

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Abstract: *In the global financial environment, cryptocurrencies have become a disruptive force that offers possibilities as well as problems for firms in numerous industries. The incorporation of cryptocurrencies into small businesses' operations has gained more attention in recent years as a way to boost their profitability. This study paper intends to provide a thorough examination of the effects of cryptocurrencies on the profitability of small businesses, illuminating the numerous aspects and ramifications of cryptocurrency adoption, but also emphasizing its consequences for the financial performance of small firms, with the aim to fill the knowledge vacuum, as well as to provide insights into the potential and constraints connected with cryptocurrencies in the small company environment by examining revenue generation, cost management, financial transactions, and market growth. For a number of reasons, it is essential to comprehend how cryptocurrencies affect the profitability of small businesses, and in order to accomplish the goals of this study, a thorough analysis of the body of literature will be done, looking at empirical research, case studies, and theoretical frameworks pertaining to the effect of cryptocurrencies on small company profitability. This research study seeks to provide a comprehensive grasp of the topic by combining the existing information. In order to learn more about small company owners' experiences, difficulties, and possibilities related to bitcoin adoption, as the main cryptocurrency so far, primary data were gathered via surveys or interviews among them. The study adds to the body of information already available and provide useful advice, as well as shared practical experience for academics, policymakers, and small company owners who are interested in learning about the effects of bitcoin integration on small business profitability.*

Keywords: *Cryptocurrencies; Small businesses Profitability; Financial environment; Cryptocurrency adoption Customer base; Transaction costs.*

JEL Classification: *B52; E42; E44; E50; E52; F39; L25; M16; M21; N20; P43.*

1. Introduction

In the global financial environment, cryptocurrencies have become a disruptive force that offers possibilities as well as problems for firms in numerous industries. The incorporation of cryptocurrencies into small businesses' operations has gained more attention in recent years as a way to boost their profitability. The advantages of cryptocurrencies for small businesses could include a wider customer base, lower transaction costs, better financial security, and increased operational effectiveness. Regulator ambiguity, price volatility, and technological difficulties have also generated some anxiety (Nakamoto, 2009). This study paper intends to provide a thorough examination of the effects of cryptocurrencies on the profitability of small businesses, illuminating the numerous aspects and ramifications of cryptocurrency adoption. The use of cryptocurrencies by small enterprises has been gaining attention and significance recently. Despite the emphasis on including cryptocurrencies in current studies, a better knowledge of how cryptocurrencies really affect small company profitability is still required. By studying the many facets of bitcoin adoption and its consequences for the financial performance of small firms, this research aims to fill this knowledge vacuum (Wu et al., 2022, Gad et al., 2022; Sagheer et al., 2022; Lyons, 2022). This research intends to provide insights into the potential and constraints connected with cryptocurrencies in the small company environment by examining revenue generation, cost management, financial transactions, and market growth. For a number of reasons, it is essential to comprehend how cryptocurrencies affect the profitability of small businesses. (techbooky, 2020) First off, studying how cryptocurrencies might affect small businesses' bottom lines has ramifications not just for the companies themselves but also for the overall economic environment. Small businesses play a crucial role in the global economy, contributing to job creation, innovation, and economic development. Second, it is crucial to evaluate the precise processes by which cryptocurrencies affect the operations of small businesses as they continue to acquire recognition and appeal. Small company owners may build effective strategies to increase profitability by identifying the elements that contribute to success or present difficulties. (Roubini, 2018) In order to accomplish the goals of this study, a thorough analysis of the body of literature will be done, looking at empirical research, case studies, and theoretical frameworks pertaining to the effect of cryptocurrencies on small company profitability. This research study seeks to provide a comprehensive grasp of the topic by combining the existing information. In order to learn more about small company owners' experiences, difficulties, and possibilities related to bitcoin adoption, primary data will also be gathered via surveys or interviews with them.

The study will add to the body of information already available and provide useful advice for academics, policymakers, and small company owners who are interested in learning about the effects of bitcoin integration on small business profitability (Swan, 2015).

2. Literature Review

Examine the literature that is currently available to learn how customers see cryptocurrencies and how they feel about utilizing them to transact with small companies. Consider elements including familiarity, trust, perceived advantages, hazards, and obstacles that affect customer perception. (Vaidhyanathan & Jain, 2023)
Review research that look into whether or not consumers accept cryptocurrency as a form of payment for small company interactions. Discuss elements including usability, security, transaction speed, cost-effectiveness, and convenience that help or impede adoption. (techbooky, 2020)
Examine the impact of customer perception and adoption of cryptocurrency on consumers' intentions to make purchases from small companies. Investigate research that demonstrate the connection between bitcoin use and customer behaviour, including buying patterns, transaction amounts, and product preferences. (Roubini, 2018; Tambe & Jain, 2023)
Key elements that influence consumer behaviour with relation to the acceptance and use of cryptocurrencies in small company transactions should be identified. Take into account social impact, technology literacy, demographic characteristics, and prior cryptocurrency experience.
Contrast with conventional payment methods: Examine how consumers see and accept cryptocurrencies in comparison to conventional payment methods including cash, credit cards, and mobile payments. From the standpoint of the customer, discuss the benefits and drawbacks of adopting cryptocurrency in small company transactions (Roubini, 2018).
Explore the research that looks at how cultural and environmental variables affect how consumers perceive and accept cryptocurrency for use in small company transactions. Take into account research done in various nations or areas to gain understanding of how regulatory frameworks and cultural norms affect customer behaviour.

3. Overview of the Research Problem & Research Gap

Despite the increased interest in how cryptocurrencies affect small company profitability, there is still a dearth of study on the precise tactics and methods that these companies should use to get the most out of adopting cryptocurrencies. While earlier research has looked at how cryptocurrencies generally affect small companies, less focus has been placed on how to actually adopt and optimize cryptocurrency-related efforts inside small company operations (Eichengreen, 2019).

Finding and analysing efficient techniques for small firms to overcome obstacles and take advantage of possibilities given by cryptocurrencies is therefore a crucial research gap that needs to be filled. Investigating the critical elements that enable successful cryptocurrency integration entails looking at things like choosing the right cryptocurrencies, setting up secure payment systems, managing cryptocurrency holdings, reducing price volatility risks, and adhering to changing regulatory frameworks (Gad et al., 2022; Chang, 2021).

Future studies that close this knowledge gap will be able to provide small company owners insightful information and helpful advice, enabling them to design specialized strategies for incorporating cryptocurrencies into their operations. In an increasingly digitized and decentralized economy, such study would enable small enterprises to successfully use cryptocurrency as a tool to improve profitability, competitiveness, and long-term sustainability.

Exploring how small organizations might successfully incorporate cryptocurrency into their financial management processes will fill another study need. This entails looking at things like internal control mechanisms, risk management techniques, financial reporting frameworks, accounting standards for cryptocurrency, and tax ramifications. Traditional financial management techniques in small firms may face difficulties due to the distinctive features of cryptocurrencies, including as price volatility and regulatory concerns. For practitioners and policymakers, seeing how small firms modify their financial management procedures to account for cryptocurrencies may be quite instructive. By bridging this knowledge vacuum, studies may help small firms build best practices for managing cryptocurrencies inside their financial operations, eventually improving their profitability.

3.1. Research Questions

Question 1: What are the primary variables affecting consumers' perceptions and acceptability of utilizing cryptocurrency for transactions with small companies?

The goal of this question is to find out what influences consumers' views, worries, and preferences towards using cryptocurrency while transacting with small companies. It can include looking at things like customer confidence, perceived dangers, ease of transactions, security precautions, knowledge with cryptocurrency, and demographic factors.

Question 2: What are the main approaches and recommended procedures that small firms may use to meet obstacles and take full advantage of cryptocurrency opportunities?

The purpose of this question is to investigate the precise tactics and methods small companies may use to successfully deal with issues surrounding the adoption of cryptocurrencies and take advantage of the benefits they provide. Finding successful case studies and analysing the elements that, in the context of cryptocurrency, lead to small company success include risk management, regulatory compliance, customer education, marketing techniques, and financial management approaches.

These two study inquiries aim to comprehend the consumer's viewpoint on the use of cryptocurrencies in transactions with small firms. Insights about customer behaviour gained from answering these questions may help small companies create focused tactics that increase acceptability, trust, and overall profitability when using bitcoins as a payment method.

3.2. Quantitative Research - Online Survey/Questionnaire

The survey was taken part by 53 people in total, 24 of whom completed it satisfactorily.

The sampling technique used was random selection. The main venues used to advertise and carry out the poll were social media ones. Raffles and other incentives were provided to stimulate interest in the poll and the number of respondents. Demographic variety was ensured, and care was made to avoid concentrating just on the experimenter's local group.

Six demographic survey questions were included with the 17 major questions in the online form. The 11 questions on cryptocurrencies used a variety of inquiry methods, such as Likert scale, semantic differential, open-ended, dichotomous, and multiple-response questions.

Twelve male participants, eight female participants, and two people who did not identify their gender make up the sample's gender distribution.

The sample's age distribution is varied, although individuals between the ages of 26 and 35 make up the bulk of the sample with a disproportionately high representation.

In contrast to the general population, a significant percentage of individuals in the sample had academic backgrounds, according to the distribution of educational levels. It is impossible to pinpoint the causes of this enhanced representation.

Additionally, data on job status was gathered for correlation reasons.

The goal of the questionnaire's design was to maximize participation while minimizing the amount of time needed. Participants were able to finish the survey in under two minutes during first test runs, which was in line with the basic objective. However, it took an average of all respondents 2 minutes, 51 seconds to finish the survey.

3.3. Answering the Research Questions

Question 1: What are the primary variables affecting consumers' perceptions and acceptability of utilizing cryptocurrency for transactions with small companies?

The particular inquiry has been answered in the following manner, notwithstanding the potential of gaining additional insights from the study that go outside the parameters of the research topic. Only 14% of organizations, including both current bitcoin owners and potential purchasers, indicated plans to acquire cryptocurrencies during the next five years, according to study respondents. It seems unlikely that a sizable majority of the populace would participate in bitcoin purchase in the medium future, given the replies and the prevalent opinion about cryptocurrencies.

Question 2: What are the main approaches and recommended procedures that small firms may use to meet obstacles and take full advantage of cryptocurrency opportunities?

The majority of poll respondents think that the best strategy for having a fair exposure to cryptocurrency is to Dollar cost averaging, while a smaller percentage thinks that cryptocurrencies may go to zero. The number of poll respondents who think that cryptocurrencies have big future potential over the long run, namely during the next 10 years, rises to around 39%, when looking at the more distant future. However, it seems that respondents' chose Dollar Cost Averaging (DCA) because they think it’s a great crypto trading technique without the use of indicators. The DCA technique is well-liked by both novice and experienced traders.

They explained that investments have to be split into smaller sums rather than investing them all at once. These fund are then allocated over a specific period of time each, week, month or year.

Sentiments about this study issue and the survey findings are both positive and negative. After analysing the interviews, it is clear that many small businesses that decide to adopt cryptocurrencies would have great returns in the long term (Hebe, 2023).

4. Limitations and Future Research Direction

Only Romanian respondents were used for all surveys and interviews. It should be emphasized that this study's cultural, developmental, and demographic traits are not typical of the whole world's population. Because the survey's data was gathered online, there may have been a bias in favour of those with higher technical aptitude. This bias may include a greater percentage of individuals who have already used cryptocurrency.

It is significant to note that only a small portion of the Romanian community decided to participate in this research, which has implications for the expert interviews that were done.

It would be helpful to carry out these surveys on a regular basis in order to get additional insights and identify trends. Similar studies might be conducted in more varied and expansive populations, like those in Europe, Middle East and Africa to provide a wider viewpoint and make it easier to compare results.

5. Conclusion

Despite the dangers, the market for cryptocurrencies and blockchain technology is expanding. Financial infrastructure that is desperately required is being created, and institutional-grade custodial services are becoming more accessible to investors. The resources required to manage and protect their cryptocurrency investments are progressively being made available to both professional and ordinary investors.

Futures markets for cryptocurrencies are emerging, and several businesses are getting first-hand exposure to the industry. Financial behemoths like PayPal are facilitating cryptocurrency trading on their well-known platforms. Additionally to Block, other businesses have invested hundreds of millions of dollars in Bitcoin and other digital assets. Early in 2021, Tesla spent $1.5 billion on Bitcoin. The manufacturer of electric vehicles claimed to have around $2 billion in cryptocurrencies as of February 2022. Since 2020, business intelligence software provider MicroStrategy has been building up its Bitcoin holdings. By the end of 2021, it had $5.7 billion invested in cryptocurrencies, and it said it will continue to do so using extra operating income. (Bylund, 2022).

Although other variables still influence how risky cryptocurrencies are, the market is evolving as adoption rates go up. In order to invest huge quantities of money directly in cryptocurrencies, both businesses and individual investors are looking to do so.

Cryptocurrencies have the power to fundamentally transform the financial landscape by giving an alternative to failed monetary policies and a haven in nations with high inflation rates. The usefulness and stability of cryptocurrencies have been further improved by the appearance of stablecoins and the continued development of blockchain technology (Chang, 2021; Bylund, 2022).

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