

INFLUENCE OF CRYPTOCURRENCY ON GLOBAL TRADE.

Dr. Muthaaher Unnisa

Associate Professor

Department of Commerce

Government First Grade College Chikkaballapur

email: muthaaherunnisa804@gmail.com

Abstract

The rapid growth of cryptocurrency and blockchain technology has introduced a new dimension to international trade and global financial transactions. Traditionally, cross-border trade has depended heavily on banks, foreign exchange markets and other financial intermediaries. Cryptocurrency offers an alternative by enabling digital transactions across national borders without relying entirely on conventional banking systems. Its potential advantages include faster payments, lower transaction costs, increased transparency and greater access to international markets. At the same time, cryptocurrency creates challenges relating to price volatility, regulatory uncertainty, cybercrime, money laundering, taxation and consumer protection. Stablecoins have also emerged as an important development because they attempt to combine the efficiency of blockchain-based payments with greater price stability. This article examines the influence of cryptocurrency on global trade, focusing on its role in cross-border payments, trade finance, financial inclusion and business transactions. It also evaluates the risks associated with its increasing use and highlights the importance of developing appropriate regulatory frameworks. The study concludes that cryptocurrency may not replace conventional financial systems in the immediate future, but blockchain-based digital assets are likely to become increasingly relevant to the future development of global trade.

Keywords: Cryptocurrency, Global Trade, Blockchain, Cross-Border Payments, Stablecoins, Digital Currency, International Business, Trade Finance

1. Introduction

International trade has always evolved alongside developments in technology and finance. From cash payments and letters of credit to electronic banking and digital payment platforms, businesses continuously search for faster, safer and more convenient methods of conducting transactions. Cryptocurrency represents another important stage in this transformation.

Cryptocurrency is a form of digital asset that generally operates using blockchain or distributed ledger technology. Bitcoin, introduced in 2009, was the first widely recognised cryptocurrency, but thousands of other digital assets have subsequently entered the market. More recently, stablecoins such as USDT and USDC have attracted significant attention because their values are generally linked to traditional currencies such as the US dollar.

The relevance of cryptocurrencies to international business arises from their borderless nature. A business in one country can potentially transfer a digital asset directly to a supplier in another country without passing through several correspondent banks. Such transactions can operate around the clock and, depending on the network and circumstances, may be completed more quickly than conventional international transfers.

Research by the Bank for International Settlements covering 184 countries found that cross-border flows of Bitcoin, Ether and major stablecoins have become substantial. It also found that transactional motives are particularly important for stablecoin flows and some lower-value Bitcoin transfers.

However, the relationship between cryptocurrency and global trade is not straightforward. While digital currencies can reduce certain financial barriers, their adoption creates concerns relating to volatility, regulation, taxation, cybersecurity and financial stability. Therefore, cryptocurrency should be understood not merely as an alternative investment but as an emerging technology that could reshape selected aspects of international commerce.

2. Statement of the Problem

Traditional international payment systems frequently involve several financial intermediaries, currency conversions, documentation requirements and settlement procedures. These processes can increase transaction costs and cause delays, particularly for small businesses and individuals operating across borders.

Cryptocurrencies offer an alternative payment mechanism that may reduce some of these difficulties. Nevertheless, their wider use in global trade remains limited by fluctuating prices, differences in national regulations, technological risks and concerns over illegal financial activities.

The key issue is therefore whether cryptocurrency can genuinely improve the efficiency and accessibility of global trade while maintaining the security, stability and regulatory standards required in international financial transactions. Understanding both its opportunities and limitations is essential for businesses, governments and policymakers.

3. Objectives of the Study

The major objectives of the study are:

1. To examine the influence of cryptocurrency on global trade and international business transactions.
2. To understand the role of cryptocurrency in facilitating cross-border payments.
3. To analyse the advantages of cryptocurrency for businesses engaged in international trade.
4. To identify the major risks and challenges associated with cryptocurrency transactions.
5. To examine the growing importance of stablecoins and blockchain technology in international payments.
6. To suggest measures for the responsible adoption of cryptocurrency in global trade.

4. Review of Literature

Auer, Lewrick and Paulick (2025)

A study published by the Bank for International Settlements examined cross-border flows of Bitcoin, Ether, Tether and USD Coin across 184 countries between 2017 and 2024. The researchers observed that geographical barriers appear to have less influence on cryptocurrency flows compared with traditional financial flows. They also found that transactional requirements play an important role in stablecoin movements and that higher traditional remittance costs are associated with certain types of cryptocurrency transfers.

World Trade Organization

The World Trade Organization has examined the potential application of blockchain and distributed ledger technology to international trade. Its work highlights applications in areas including trade finance, shipping and logistics, insurance, Know Your Customer procedures and the digitalisation of trade documents. Blockchain can potentially reduce information gaps between the different parties involved in international trade.

International Monetary Fund

Research from the International Monetary Fund highlights the increasing importance of stablecoins within digital finance. While much stablecoin activity remains linked to cryptocurrency trading, their use in cross-border payments has been increasing. The IMF also points to the opportunities they provide for faster international transfers while recognising risks related to financial stability, capital flows, currency substitution and regulatory oversight.

Bank for International Settlements

The BIS has observed that stablecoins can provide users with access to foreign currencies and potentially facilitate cross-border transactions. At the same time, it has highlighted significant concerns regarding monetary sovereignty, financial integrity and consumer protection. The BIS therefore emphasises that technological efficiency alone is not sufficient; appropriate institutional and regulatory safeguards are necessary.

The available literature therefore indicates that cryptocurrencies and blockchain have significant potential in global commerce, but their long-term effectiveness will depend largely on regulation, technological development and acceptance by businesses and financial institutions.

5. Research Methodology

Research Design

The study adopts a descriptive and analytical research design. It attempts to understand the existing role of cryptocurrency in global trade and critically examines its benefits, limitations and future potential.

Nature of Data

The study is based entirely on secondary data.

Sources of Data

Information has been collected from:

- Research articles and academic journals
- Reports published by international financial institutions
- Publications of the Bank for International Settlements
- International Monetary Fund reports
- World Trade Organization publications
- Books and studies relating to blockchain and cryptocurrency
- Reliable financial and economic publications

Method of Analysis

The information obtained through secondary sources has been analysed using a qualitative approach. Different aspects of cryptocurrency adoption, cross-border transactions, stablecoins, blockchain applications and regulatory concerns have been compared and interpreted.

6. Influence of Cryptocurrency on Global Trade

6.1 Faster Cross-Border Payments

One of the most important potential benefits of cryptocurrency is the speed of international transactions.

Traditional cross-border payments may involve multiple banks and payment systems before money reaches the final recipient. Cryptocurrency networks can allow funds to move directly between digital wallets, potentially reducing the number of intermediaries.

This can be particularly useful when companies operate across different time zones because blockchain networks generally function continuously rather than being restricted to normal banking hours.

6.2 Reduction in Transaction Costs

International payments often involve bank fees, foreign exchange charges, intermediary charges and processing expenses.

Cryptocurrency can potentially reduce some of these costs by enabling peer-to-peer transfers. The extent of savings, however, depends on factors such as blockchain network fees, cryptocurrency exchanges and conversion charges.

For small and medium-sized businesses, even modest reductions in international payment costs could improve profitability and make international markets more accessible.

6.3 Encouraging International Business Opportunities

Cryptocurrency can make it easier for businesses and individuals who have limited access to conventional international banking services to participate in global transactions.

A small digital business, freelancer or entrepreneur may potentially receive payments from customers located in different countries through digital assets without maintaining multiple foreign bank accounts.

This creates opportunities for greater participation in international commerce, especially within increasingly digital and service-based economies.

6.4 Improved Transparency Through Blockchain

The technology underlying most cryptocurrencies can also contribute to trade independently of cryptocurrency itself.

Blockchain creates a shared digital record of transactions. Once information is recorded and validated, altering it becomes difficult. This characteristic can improve transparency and traceability in supply chains.

For example, blockchain-based systems can help businesses track products from their source to the final consumer. This can be useful in industries such as food, pharmaceuticals, luxury goods and manufacturing, where verifying authenticity and origin is important.

The WTO has identified applications of distributed ledger technology across areas including trade finance, logistics, insurance and trade documentation.

6.5 Transformation of Trade Finance

Trade finance traditionally involves significant documentation, including invoices, bills of lading, letters of credit and certificates.

Blockchain technology has the potential to digitalise and connect some of these processes. Smart contracts can also automatically execute specified actions when predetermined conditions are satisfied.

For example, payment could potentially be released automatically when a digital system confirms that goods have reached an agreed destination.

Such automation may reduce paperwork, human error and processing time. However, widespread implementation requires common technical standards and legal recognition of digital documentation.

6.6 Growth of Stablecoins

The emergence of stablecoins has increased the relevance of blockchain technology to global trade.

Unlike cryptocurrencies such as Bitcoin, whose market value can change significantly within a short period, stablecoins are designed to maintain a relatively stable value by being linked to assets such as the US dollar.

This characteristic makes stablecoins potentially more practical for business transactions.

Recent BIS analysis has recognised their potential in cross-border payments while noting that their actual use for real-economy commercial payments remains much smaller than their overall transaction volumes.

Therefore, stablecoins may represent an important bridge between traditional currencies and blockchain-based financial systems.

7. Advantages of Cryptocurrency in Global Trade

Cryptocurrency can provide several potential benefits to international commerce.

Speed: Digital asset transactions may be settled more quickly than conventional international bank transfers.

Accessibility: Anyone with appropriate internet access and digital infrastructure can potentially participate in cryptocurrency transactions.

24/7 Transactions: Cryptocurrency networks generally operate continuously, including weekends and holidays.

Reduced Dependence on Intermediaries: Direct transfers can potentially reduce the number of institutions involved in payments.

Transparency: Blockchain records can improve the traceability of transactions and goods.

Financial Inclusion: Digital currencies could provide additional payment options in markets where access to conventional banking services is limited.

Automation: Smart contracts can support automated payments and other commercial processes.

These advantages explain why businesses, technology companies, financial institutions and governments continue to study blockchain-based payment systems.

8. Challenges and Risks

8.1 Price Volatility

Price volatility is one of the biggest disadvantages of conventional cryptocurrencies.

For example, if a company accepts payment in cryptocurrency and its market value declines significantly before conversion into domestic currency, the business could suffer an unexpected loss.

Such uncertainty makes highly volatile cryptocurrencies less suitable as a regular unit of payment for many businesses.

8.2 Regulatory Differences

Cryptocurrency regulations vary considerably between countries.

Some governments encourage digital asset innovation, while others impose significant restrictions. Businesses conducting international transactions therefore need to understand the regulations of both their home country and the countries in which their trading partners operate.

The absence of fully harmonised international regulation creates uncertainty and increases compliance costs.

8.3 Cybersecurity Risks

Although blockchain technology itself can provide strong security, cryptocurrency exchanges, digital wallets and individual users remain vulnerable to cyberattacks, fraud, phishing and theft.

Unlike many traditional banking transactions, incorrectly transferred or stolen cryptocurrency may be extremely difficult to recover.

8.4 Money Laundering and Illegal Transactions

The pseudonymous nature of some cryptocurrency transactions has created concerns regarding money laundering, tax evasion and other illegal financial activities.

Regulators therefore increasingly emphasise Know Your Customer (KYC) and Anti-Money Laundering (AML) requirements for cryptocurrency exchanges and service providers.

8.5 Taxation Issues

Different countries apply different approaches to cryptocurrency taxation. Digital assets may be treated as property, investments, financial assets or another category depending on the jurisdiction.

This creates complications for businesses engaged in international cryptocurrency transactions because they must maintain proper records and comply with relevant tax regulations.

8.6 Impact on Monetary Sovereignty

The widespread adoption of cryptocurrencies or foreign-currency-denominated stablecoins could also affect national monetary systems.

The BIS has specifically highlighted concerns that stablecoin adoption could create challenges to monetary sovereignty, particularly where individuals and companies increasingly use dollar-denominated digital assets instead of their domestic currencies.

9. Major Findings of the Study

Based on the analysis, the major findings are:

1. Cryptocurrency has the potential to improve the speed and efficiency of cross-border payments.
2. Blockchain technology has applications beyond cryptocurrency, particularly in supply chains, trade finance and documentation.
3. Cryptocurrency can improve access to international payments for smaller businesses and individuals.
4. Stablecoins may be more suitable for commercial transactions than highly volatile cryptocurrencies because they are designed to maintain a relatively stable value.

5. Despite their potential, cryptocurrencies are not yet a complete replacement for conventional international payment systems.
6. Price volatility remains an important obstacle to the use of traditional cryptocurrencies such as Bitcoin for everyday trade settlement.
7. Differences in cryptocurrency regulations across countries create uncertainty for international businesses.
8. Cybersecurity, money laundering and tax compliance remain significant concerns.
9. International cooperation will be necessary if digital assets are to play a larger role in legitimate global commerce.
10. The long-term influence of cryptocurrency on global trade is likely to depend more on the development of regulated digital payment systems and blockchain infrastructure than on speculative cryptocurrency trading alone.

10. Suggestions

To ensure that cryptocurrency contributes positively to global trade, the following measures are suggested:

1. Develop clear regulations: Governments should establish transparent regulations governing cryptocurrency transactions, taxation, exchanges and consumer protection.
2. Encourage international cooperation: Countries should cooperate in developing common standards for digital assets used in cross-border transactions.
3. Strengthen cybersecurity: Businesses and cryptocurrency service providers must invest continuously in secure wallets, authentication systems and cybersecurity infrastructure.
4. Promote financial awareness: Businesses should understand the financial and operational risks involved before accepting cryptocurrencies as payment.
5. Strengthen KYC and AML systems: Cryptocurrency platforms should implement effective identity verification and transaction-monitoring procedures.
6. Encourage responsible stablecoin development: Stablecoins intended for international payments should be supported by appropriate reserves, transparency and regulatory supervision.
7. Promote blockchain applications in trade: Governments and businesses should explore blockchain for supply-chain management, trade documentation and trade finance even where cryptocurrency itself is not used.
8. Support small businesses: Appropriate digital infrastructure and financial education should be provided to help SMEs take advantage of emerging international payment technologies.

11. Limitations of the Study

- The study is based entirely on secondary data and does not include primary information collected directly from businesses or cryptocurrency users.
- The cryptocurrency industry is also changing rapidly. Technology, market conditions and government regulations may change considerably within a relatively short period.
- Furthermore, cryptocurrency regulations differ from one country to another, making it difficult to generalise their influence across the entire global economy.
- Finally, the study primarily focuses on the economic and commercial implications of cryptocurrency and does not examine every technical aspect of blockchain networks.

12. Conclusion

Cryptocurrency has introduced both opportunities and challenges to the traditional structure of global trade. Its ability to transfer digital value across national borders without depending entirely on conventional banking intermediaries has created new possibilities for businesses and consumers.

Faster transactions, potentially lower payment costs, continuous availability and blockchain-based transparency make digital assets particularly interesting for international commerce. At the same time, cryptocurrency cannot be viewed as

a perfect alternative to traditional finance. Price volatility, cybersecurity concerns, regulatory uncertainty, taxation problems and the possibility of financial misuse remain significant barriers.

An especially important development is the growth of stablecoins. By combining blockchain technology with values generally linked to traditional currencies, stablecoins could become more relevant to international payments than highly volatile cryptocurrencies. Nevertheless, their widespread adoption also raises concerns regarding financial stability, regulation and monetary sovereignty.

The future of cryptocurrency in global trade is therefore unlikely to be a simple replacement of traditional currencies with Bitcoin or other digital assets. Instead, the more realistic transformation may involve the gradual integration of blockchain technology, tokenised financial instruments, regulated stablecoins and improved digital payment systems into existing financial infrastructure.

Ultimately, the value of cryptocurrency to global trade will depend not only on technological advancement but also on trust. Businesses need confidence that transactions are secure, consumers need protection, and governments need assurance that financial systems remain transparent and stable. When innovation is supported by responsible regulation and international cooperation, digital assets and blockchain technology have the potential to make global trade more connected, efficient and inclusive.

References

- Auer, R., Lewrick, U., & Paulick, J. (2025). *DeFying Gravity? An Empirical Analysis of Cross-Border Bitcoin, Ether and Stablecoin Flows*. BIS Working Papers No. 1265, Bank for International Settlements.
- Bank for International Settlements. (2025). *The Next-Generation Monetary and Financial System*. BIS Annual Economic Report 2025.
- International Monetary Fund. (2025). *Understanding Stablecoins*. IMF Departmental Paper.
- Nakamoto, S. (2008). *Bitcoin: A Peer-to-Peer Electronic Cash System*.
- World Trade Organization. (2018). *World Trade Report 2018: The Future of World Trade—How Digital Technologies Are Transforming Global Commerce*. Geneva: WTO.
- World Trade Organization. (2020). *Blockchain and DLT in Trade: Where Do We Stand?* Geneva: WTO.
- World Trade Organization. *Digital Technologies and Trade*. WTO Publications and Digital Trade Resources.