

The Pros and Cons of Accepting Cryptocurrency as Payment

Cryptocurrencies have gone a long way from being of niche interest to the crowd of IT enthusiasts. They are now a widely accepted financial tool used by traditional businesses and even big banks and governmental agencies. There's an ongoing push for wider adoption.



Photo by Crypto Crow from Pexels

For a small business looking to implement the use of cryptocurrencies as payments, it's important to weigh the pros and cons of that decision. There are both, and a small business should do what it can to improve its standing among the customer base without being too wasteful.

Innovation

The main advantage of adding crypto as a payment option comes from the fact that it's an innovation, and it shows that the business is looking into the future and providing new features for its users. Large companies are already doing it, as they are always the first to innovate.

The fact that the small business is willing to step up and focus on the users that pay with crypto shows that it wants to be at the cutting edge of its field. The question is – is this image worth the effort?

New Customers and Users

Providing a new payment option broadens the user and customer base. There are users and customers out there who are used to using crypto and plan on paying with crypto alone, at least when it comes to online payments.

Therefore, introducing crypto as a payment option is necessary for businesses that want to tap into this market. It's still a small niche of users, but one that some businesses want to consider and focus on. It very much depends on what kind of service or product you're selling online. If some of the unique features provided by cryptocurrencies are key to the customer experience, it should be taken into account.

Anonymous Online Payments

Using cryptocurrencies allows for anonymous payments. That's why the [top gambling websites](#) were the first to offer it as an option. Using blockchain will enable users to make transfers without having to use any centralized financial institution. That way, there's no need to provide an ID or a bank account number.

This may not be a benefit for long now when cryptocurrencies are widely accepted. Many countries are introducing money laundering laws known as Know Your Customer Laws that require players to provide an ID before they can use the services.

Fast Transfers

The transfers made with crypto are much faster than the ones made with fiat currency. They are, in fact, instantaneous, regardless of the amount you're transferring. This is also true for withdrawing funds, which is notoriously slower when it comes to fiat money.

This is because no banks or cards are involved when transferring cryptocurrencies; therefore, there are no intermediaries to wait for. It's a convenient feature that can be essential for some businesses that are dealing with a lot of transactions and care about the speed of their service.

Fewer or No Fees

There are also no fees involved when making transfers using cryptocurrencies. The reasons are the same: crypto doesn't rely on the services of a centralized structure, so there's no one to pay the fees to. The fees paid for transfers made with fiat money are usually tied to the amount you're sending or receiving.

The lack of fees can make a difference for users who make many payments and transfer small amounts, as the fees present a large percentage of an overall payment. Since the payments are automated, there are centralized structures to pay for recurring payments either.

Utilizing Smart Contracts

Cryptocurrencies and their [blockchain technology](#) can be used to utilize smart contracts. The terms of these contracts are written into the blockchain code, and the payment is automated as soon as the terms are met. This automation process makes the payment safer as the users know that they will only get charged if the contract is fulfilled.

Many complex industries with many moving parts are already utilizing smart contracts to automate parts of their work. This is the case with the insurance industry, the logistics industry, and the online gambling industry.

Volatility

There are also downsides to using cryptocurrencies. The biggest of these is that their value is volatile and changes based on the whims of the market. It can go up and down and has been known to happen even for the biggest and most stable cryptocurrencies. It's not something a small business can predict, but it should be considered.

This means that the amount the customer has paid for your goods and services may change in value quite fast, and the customers can feel as if they've been cheated in the process. However, it's also possible for the value of the cryptocurrency to go up. There are also digital currencies with value tied to that of the US dollar.

Not all Users are Tech-Savvy

It's important for a business to attract as many different users and customers as possible, and that means that it should provide options for those who are not tech-savvy and don't know how to use crypto wallets. It's never a good practice to create another barrier that the users need to jump across to

use your services.

When choosing to allow payments in crypto, small businesses should consider who their customer base is. Older users and those less likely to follow the latest tech trends aren't a good audience for crypto payments.

New Regulations

Cryptocurrencies weren't regulated at first, but things are changing when they are widely used. Governments are looking for ways to make the industry more regulated, less risky, and therefore more predictable. These new regulations can present a problem for a new business just setting up the payment option.

It's especially difficult for businesses that have just set up a crypto payment process to change things up as soon as regulations change. Chances are that every new set of regulations will aim to make crypto payments more similar to fiat payments.

Cyber Attacks

Cryptocurrency wallets are [subject to cyber-attacks](#). These are rare, and there are measures that both your business and your customers can take to prevent them. However, it's still possible to access digital wallets and make unwanted transactions in rare cases, especially if the user hasn't protected the wallet as they should.

It's also important to note that this can also happen with fiat payment methods. However, these are facilitated by large companies such as banks and cards, which means there's less chance of such breaches happening.

Conclusion

Using cryptocurrency payments in your small business has both pros and cons. Both come from the unique features that cryptocurrencies bring to the table and the blockchain technology behind them. When choosing whether to add this option, business owners should consider who their users and customers are and whether the new option suits their needs.

The main advantages come from the ability to make anonymous payments and to transfer the funds quickly and safely. There are also no fees involved. The downsides are the volatility of crypto value and the fact that some are still reluctant to use the technology. New regulations may also change the rules regarding the use of crypto.