

Bitcoin as a payment system



There are many benefits to using Bitcoin as a payment system. This article will discuss the advantages for buyers and merchants to using Bitcoin as a payment system, and it will also discuss escrow services, the future of [Bitcoin in commerce](#), potential drawbacks, and a summary on the benefits.

Bitcoin offers many advantages over traditional banks. It allows sending payments internationally without concern for currency conversion, it allows transaction confirmation within 10 minutes typically, and transactions cannot be reversed once made. This side can be seen as a positive or negative.

There have been security improvements since its inception, which make it safer to store coins when large companies hold extreme amounts of funds, and also for buyers. The Bitcoin network and blockchain is very secure with a great deal of computing power working to secure it.

First, the benefits for merchants will be discussed.

Benefits for merchants

There are many benefits accepting [Bitcoin as payment](#) if you are a merchant. First is that the processing fees are paid by the sender, and the merchant pays nothing

to receive funds. These fees are considerably lower than traditional payment networks.

It allows you to send items worldwide without currency being a limitation. It allows one-way transactions that cannot be reversed as this is how Bitcoin works, so the merchant is not at risk of a **chargeback**. It is gaining traction so is more likely to be an easy payment method to accept in future, and there are no subscription or monthly fees for using Bitcoin directly, unlike traditional bank accounts and payment processing networks.

Large payments can be made with ease without caps on the size of the payment. Some traditional payment processing networks charge higher fees for larger transactions or otherwise have limits to transaction sizes which can cause problems when selling big-ticket items and other large transactions.

Benefits for buyers

There are many **benefits for buyers** when it comes to using Bitcoin. It allows fast confirmation time within 10 minutes, which is handy for international transactions. It allows you to **purchase items** from abroad without worrying about currency conversation. Storage of coins is not difficult. The transaction fee is paid by the sender of the coins but this is typically pennies.

It could result in a lower overall cost of items purchased by a buyer due to the merchant not having to pay large processing fees among other things.

Bitcoin wallets can be used on any electronic device such as android, apple, PC, and some wallets can be on USB type sticks.

Safety for Bitcoin use on large transactions between private sellers and buyers have also greatly increased with multi-signature wallet escrow services.

Escrow services

Escrow services have resulted in increased online safety for Bitcoin transactions for buyers. These are typically a **trusted third party**, or more recently **multi-signature 2-of-3** wallets. The buyer and seller each hold one key to the wallet and a neutral trusted third party holds the third key. If there is a dispute, this person can

mediate and either give their key to the buyer to return their funds, or the seller to give them their funds to their own wallet.

The use of Multi-Signature Escrow wallets for transactions especially between private sellers and buyers has become an accepted norm with Bitcoin, although Escrow services are typically not used for larger, more respected companies which already have a good reputation of being genuine.

Future of Bitcoin in commerce

Bitcoin due to its decentralized nature has the potential to revolutionize commerce and enable transactions across international borders with ease. It allows the sending of transactions for a fraction of the cost of major payment networks and there are no ongoing costs for having a Bitcoin wallet. This is an advantage for both buyers and merchants. It has the potential to help connect buyers and merchants across the globe and with the use of **multi-signature escrow** services might help reduce fraud in some areas. Use of Bitcoin in general can eliminate chargeback fraud for a merchant. But this can also pose a problem for buyers who are in genuine need of a chargeback.

Bitcoin is an emerging technology and has the potential to change commerce. You can also keep your actions reasonably private from prying eyes yet due to the nature of the blockchain it also means records could be kept quite easily managed by your wallet software. It has the potential to make managing funds easier for businesses as wallet software can be run or developed in-house without needing to rely on an external payment network to work with your system, giving more overall control of a merchant's e-commerce platform.

Potential Drawbacks

There are some potential drawbacks for using Bitcoin as a payment system. Some of these are being improved at the time of writing. They include the following:

- Risk of fraud without escrow services, with no recourse.

- Until the block size limitation is fixed, transactions may be slow to confirm during times of high demand.

- Unable to chargeback if there is a genuine need.

- Not yet fully understood by tax authorities in some countries.

Still an emerging technology and volatile in price, not accepted by most merchants universally.

Summary

Bitcoin is an emerging technology that has the potential to change and improve commerce as we know it. It has advantages for both buyers and merchants, such as no fees for merchants to take payments, low transaction processing fees, works the same across world borders, and has many technical improvements in the works, some of which have improved safety for buyers and companies which accept Bitcoin, through multi-signature wallets. Other improvements such as solutions to the block size limit are in the works. Bitcoin is a payment system that would be a good thing for merchants to accept, as it is the potential future of digital cash, and it costs merchants next to nothing to accept it.

Conclusion

This has covered the main benefits of using Bitcoin as a [payment system](#). It is worth accepting for merchants and buyers alike. It is likely to change E-Commerce space as it gains traction, and adopting it early for very little cost is a good move for businesses and buyers alike.

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