

Abstract

This research examines the impact of digital currencies on traditional financial systems, focusing on how the rise of crypto currencies and central bank digital currencies (CBDCs) is reshaping the global financial landscape. Using a mixed-methods approach, the study explores the challenges and opportunities digital currencies present to existing banking systems, payment structures, and regulatory frameworks. The goal is to assess how these innovations influence financial stability, transaction efficiency, and the role of central banks in managing monetary policy.

The research integrates quantitative analysis of financial market data, including exchange rates, transaction volumes, and market capitalization of digital currencies, with qualitative insights gathered from interviews with financial regulators, bankers, and crypto currency experts. The quantitative component examines trends in the adoption of digital currencies, their effects on market volatility, and their impact on traditional financial instruments such as money supply and interest rates. The qualitative analysis explores how financial institutions and regulators perceive digital currencies, their potential benefits, and the risks they pose to financial security.

Findings from this study offer valuable insights into the evolving relationship between digital currencies and traditional financial systems. The research highlights both the disruptive potential and the regulatory challenges digital currencies present, offering recommendations for policymakers and financial institutions on how to adapt to this technological shift. These insights are crucial for understanding the future of finance and ensuring stability in the face of growing digital currency adoption.