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Is Bitcoin the future of currencies or just a hopeless dream –  
An empirical analysis of Bitcoin in modern day finance

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BACHELOR'S THESIS

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## Executive Summary

This paper investigates the evolution of bitcoin and whether it fulfils the criteria to be used as a modern-day fiat currency (hypothesis 1), and or to be used as a safe haven (hypothesis 2), and finally, as a diversifier in one's portfolio (hypothesis 3).

There are plenty prior researches on the above topic, but almost all of them fail to describe the evolution of bitcoin as a whole. Therefore, for this thesis to offer a complete picture, it starts by investigating the evolution of money and what role it played in human history.

Chapter 3 builds on this by going into details on modern day payment systems, and how they developed from an old and slow system into one, which is almost instantaneous. Thereafter, bitcoin is being investigated from its birth up until today, including its underlying technology. It is essential to understand both of its birth and the way it has been created, so that the reader can compare with and contrast to the previously discussed monies.

The next section of the thesis focuses on the analysis, which is built up the following way. First, each hypothesis is being considered separately. Second, each hypothesis has its own literature review that goes into depths on the studies that are being used, including the plausibility of the literature. Thereafter, the underlying data and methodology are being presented, which is then followed by the results and conclusions. It is worth a note, that hypothesis 1 is being tested both by a theoretical and an empirical analysis, whereas both hypothesis 2 and 3 are done based on empirical one.

Finally, the thesis is concluded by reflecting on one's work and findings. In lot of the cases, bitcoin's downfall is related to its volatility, but with time, things might change. Hence, bitcoin might become a major disruptor in financial markets in the near future, but just not yet.