Digital Currencies & Cryptocurrencies as Alternative Providers of Institutional Trust

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Abstract

This paper proposes a competitive theory of trust to show digital currencies and cryptocurrencies functioning as alternative providers of trust during institutional trust ambivalence. We argue and show that some government policy decisions cause trust ambivalence resulting into alternative providers gaining more relative trust - the further away they are from the state agencies the more trustworthy they become. We test our hypotheses in the context of a currency system using qualitative and quantitative data on the demonetization policy implemented by Indian government in November 2016. In this context, the digital and cryptocurrencies are posited as alternative providers of trust in comparison with cash currency. Preliminary analysis shows that trust ambivalence caused by demonetization resulted in the alternative digital providers becoming more trusted relative to state-affiliated organizations. Our study sheds light on the theoretical underpinnings of digitization, cryptocurrencies, and institutional trust, and contributes to Information Systems and Organizational Theory literatures.

Keywords

FinTech, digitization, digital currencies, crypto-currencies, institutional trust, trust ambivalence.