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Research Article

CRYPTO CURRENCY: TWO STEPS FORWARD ONE STEPS BACK

Rekha Gothe*
Assistant Professor, Dayananda Sagar College of Arts, Science and Commerce, K.S.Layout, Bengaluru, Karnataka, India.
VidhyaShree. S*
Assistant Professor, Dayananda Sagar College of Arts, Science and Commerce, K.S.Layout, Bengaluru, Karnataka, India.
Sneha .R*
Assistant Professor, Dayananda Sagar College of Arts, Science and Commerce, K.S.Layout, Bengaluru, Karnataka, India.
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Abstract: *Usually, electronic currencies, such as digital money or cryptocurrency, will have an effect on the global economy by ledger technologies, where current monetary currencies play a crucial position in the socio-economic system, accompanied by modern printing processes. The goal of this study is to examine various facets of cryptocurrencies, concentrating on the most influential forces behind economic factors centred on the contents of journal articles, electronic journals, news stories, workshops and seminars. From this point on, many facets of cryptocurrency and fiat currency are transitioning to the developing country; this paper aims to find out how cryptocurrency is doing with its current advantages and disadvantages to improve the method better.*

Keywords: Cryptocurrency, Traditional fiat currency, Online trading, Bitcoin, Ripple, Ethereum.

Introduction

The era of ICT has undoubtedly created many golden opportunities in several respects. There's no doubt. The financial and industrial industries are one of the fields that benefit from these innovations and online ties. More and more internet consumers have caused virtual reality ideas and created a modern revolution in the industry. Different exchange forms, transfers and currencies have now arisen. Cryptocurrency is one of the prominent financial technologies evolving in recent years. In other than the real-world cash, which may be used in many business transactions if the transactions are virtual or physical, cryptocurrency can be described as any medium of exchange. Cryptocurrencies constitute intangible and immaterial products and are accessible for electronic or interactive usage through numerous apps and networks, such as online social networks, online video games and virtual worlds(Martino et al., 2019).

There has been fast development on the cryptocurrency market. This business allows

it possible for businesses to raise funds without engaging danger investors and to be listed without listing in stock exchanges. The entire coins on the crypto-market range from popular currencies like Bitcoin, Ripple and Ethereum to far darker coins. The crypto-monetary sector has two points of view. The first is that much and maybe even the coins are illusions and theft. The second is that the blockchain technologies represented in coins can be an significant advancement and that at least certain coins can be investments that reflect a stake in the development of this technology. If the above case is valid, an overview of the cryptocurrency sector from an economic commodity valuation point of view is important for at least two purposes. The first explanation is to consider how cryptocurrency returns have correlations with other asset types, most notably stock. The second purpose is to create a collection of scientific regularities that can be used as stylized facts and basic inputs to test and improve theoretical cryptocurrency models(Deniz & Stengos, 2020).

Overview on cryptocurrency

Bitcoin started functioning in January 2009 and became the first decentralized cryptocurrency, with the second cryptocurrency, Namecoin, only coming more than two years later in April 2011. Currently, hundreds of market value cryptocurrencies are being exchanged and thousands of cryptocurrencies that have existed at any point in time. The central characteristic of all various cryptocurrency schemes is the distributed ledger ('blockchain') that is circulated by network members and the usage of native tokens as a way of enabling users to operate the network throughout the absence of a system (Nian & Chuen, 2015). However, there are substantial differences between specific cryptocurrencies regarding the level of innovation shown. The bulk of cryptocurrencies are mainly bitcoin or other cryptocurrencies copies that merely have specific parameter properties (e.g. different block period, money availability, that issuance scheme). Such cryptocurrencies demonstrate little to no creativity and are sometimes referred to as altcoins. In the other side, a variety of cryptocurrencies have arisen that although copying several of the Bitcoin principles, they have new and revolutionary functionality that give significant distinctions. This could involve the implementation of modern consensus structures as well as open programming systems with 'smart contract' technologies that have radically different features and allow non-monetary usage of cases(Narayanan et al., 2016). The modern (public) blockchain networks that have their own ledger network (e.g. Ethereum, peercoin, Zcash), and dApps / Other frameworks that operate on external layers installed on top of current ledger structures may be classed into two separate groups.

Cryptocurrency is a type of electronic or virtual money that can function as a means of trade. Digital in nature, they use cryptographic technologies to store, protect and validate transactions.

In comparison to fiat money, cryptocurrencies are not governed by any central agency, such as a reserve bank. Instead, there are restricted entries in a ledger such as a blockchain that no one can access or control until those requirements are fulfilled (Farell, 2015).

Cryptocurrencies come into existence as a side-product of Satoshi Nakamoto, the brainchild behind Bitcoin's Blockchain. No money, but a peer-to-peer electronic cash network was intended by Nakamoto to enable transactions without central surveillance.

The aspect of network decentralization means that there is no central server for hosting or controlling transactions. Every activity that has ever existed is shown for everyone in a shared network like Bitcoin. Growing transaction file often contains public key senders and receivers.

Advantages of cryptocurrencies

Cryptocurrencies are accessible with a click of a mouse, all around the globe. Everybody that may create an electronic conversion may also buy and possess the digital coin of choosing. While the method is still complicated, it would be simpler to work with your own cryptocurrencies in the future.

Fast settling times are also another characteristic which persists in speeding up the rapid adoption of digital currencies. Unlike other online cash settlement schemes that require days to process transfers, cryptocurrencies allow for immediate settlements.

Cryptocurrencies emerged as a preferred means of transferring money across frontiers with lower transaction fees. Moving money through other bank gates could be very costly given the number of charges charged along the way.

Confidentiality is also another factor that makes crypto-currency attractive because users must not share their identity so that transactions can be completed. The primary function of altcoins is to keep the people behind transactions privately.

Cryptocurrencies drawbacks

It can be pretty hard to understand cryptocurrencies – one of the main reason why certain countries and regulatory agencies continue to shun them. Another headwind that persists in clobbering possibilities and feelings of virtual currencies is lack of awareness on how to use it.

Another problem that has forced most individuals to shed cryptocurrencies is that a transaction cannot be reversed when done. If a transaction is wrong, only the reverse from the recipient is requested. There is little that can be said with recipients of an inappropriate contract who refuse a refund request.

Volatility is by far the most significant disadvantage to cryptocurrencies. Volatility has a great deal to do with the worth of a coin, which it is impossible to grasp or compete with.

Fiat money and cryptocurrencies differences

Although it may be seen as a means of payment, both fiat money and cryptocurrencies are special.

Lawfulness

Governments issue fiat money, which the central bank in return regulates. Fiat money is called a legitimate bid since it is also the approved manner in which deals are completed. Governments regulate the availability of fiat money and enforce policies that influence their value from time to time.

Cryptocurrencies, on the other hand, are simply intangible commodities that function as a means of trade that regulators have little power over. No central authority may regulate or affect its importance because of the decentralization dimension.

In certain nations, cryptocurrencies have been blacklisted because of concerns that some were used to fuell unlawful things such as terrorist activity and financial fraud.

Tangibility

This is not necessary to get a tangible blockchain to feel because they work only as an online currency. Fiat money, from the other hand, has a physical side as they can exist as notes and coins, which allows us to have a physical sense. Fiat money physical dimension also poses a lot of problems because it may be a hassle to walk around for a lot of income.

Aspect of Trade

Cryptocurrencies live in electronic form as they are generated by computing and function because of secret pieces of data. The medium of communication is now solely electronic. Fiat money, on the other hand, can exist in both digital and physical form. Online payment applications help individuals to transfer virtual fiat money.

Offerings

There is a significant difference in supply between fiat money and cryptocurrency. Fiat funds are supplied without limitations, meaning that central authorities are not capable of producing wealth.

In terms of availability, most cryptocurrencies have a limit, which ensures only a limited amount of coins are supplied. For examples, the total amount of Bitcoin coins ever to be distributed is restricted to 21 million.

The sum of currency in circulation is not feasible at any moment for fiat money, but it is possible for cryptocurrencies.

Storage

Cryptocurrencies technological dimension implies that they can only live digitally, housed in digital wallets widely referred to as cryptocurrency wallets. Although most digital wallets claim that they offer safe storage, some have been hacked, leading to a substantial loss of holdings.

Fiat money, however, can be saved in various forms because of its versatility. For starters, payment services are available such as PayPal, which allows citizens to store fiat money digitally. Banks are also the guardian of robust currencies.

Lower Line

Crypto currencies and fiat money come with qualities that allow them to stand out as a legal tender, regardless of jurisdiction. But they also come with the cons that saw them continue to divide their opinions around the world.

Although there are many benefits of cryptocurrencies over fiat currency, it seems like cryptocurrencies are not yet sophisticated enough to substitute the existing traditional payment system. It's a question of time and not actually in the form of Bitcoin, Ethereum or some other cryptocurrency. The crypto industry is expected to grow and produce a successful commodity that might transform the existing money structure.

Cryptocurrency: Status in India

In its Budget Address on Feb 1 of 2018 in India, former finance minister Arun Jaitley confirmed that the government would do its best to prohibit bitcoin and other virtual currency being used in India. He affirmed that India would not accept them as legitimate tenders and then supports blockchain technologies in payment processes. Ironically, India is host to a growing number of cryptocurrency traders and developers alike. One of every ten bitcoin exchanges in the global economy takes place in India (Quartz, 2018), In addition, in April 2018 the Reserve Bank of India (RBI) stated that all of the RBI governing bodies must cease to enter into commercial relationships with virtual currency entities immediately and disconnect from existing relations within three months. This may mean that Indian banks and lenders can not transact or allow trading in cryptocurrency with companies and individuals as

of July 2018 (Yousuf Javed et al., 2020).

According to RBI, virtual currencies will severely weaken the system "AML (anti money laundering) and FATF (Financial Action Task Force)", adversely affect business legitimacy and the regulation of funds. If they become more significant than vital, they may even threaten financial stability. The "Central Board of Indirect Taxes and Customs" proposed that 18 per cent of GST be levied on cryptocurrency trading. According to the proposal: the acquisition or selling of cryptocurrencies will be regarded as a source of products and those are enabling transactions such as delivery, transition, storage, accounting, among others, should be viewed as utilities. The value of the cryptocurrency may be calculated based on the interest of the exchange in rupees or the equivalent of some freely convertible foreign currency. If sellers and buyers are in India, the transaction would be regarded as a supply of software, and the location of the purchaser would be the place of supply. The site of distribution shall be the site of conversion and selling of the recorded individual. However, for selling to non-registered individuals, the address of the seller should be called the place of supply (Kethineni & Cao, 2020).

Despite the ban declared on Cryptocurrencies in India, India is an excellent marketplace for these transactions. Cryptocurrencies dealers recruited legal advisors and chartered accountants to help search into viable means of purchasing and selling cryptocurrencies. The effort to drain the liquidity sector has struggled to deter cryptocurrency exchanges -the "Blockchain Foundation of India (BFI)", Experts also claim the ban will encourage illicit activities such as Hawala -an illicit money transmission mechanism commonly used both in South Asia and elsewhere — thus fueling black money production(Misra et al., 2020).

Also, crypto-dealers look for RBI-unregulated banking companies. Likewise, co-operative firms may be used to perform transactions because they are not under the expertise of RBI. In a notice in December 2017, the central bank explained that, after certain cooperatives found admission of deposits by non-members or representatives of associates in contravention of provisions in 1949, organisations are not allowed to carry on banking activity. Crypto players pay attention to these gaps. The cryptocurrency industry also considers how over-the-counter markets can be created to deal in cash instead of bank transactions. In the meanwhile, blockchain firms argue whether they risk closing. Many people claim that their firms are growing. To attract enterprises, cryptocurrency firms using incentives, free presents and comparison incentives. Meanwhile, the government has ruled illegal bitcoin, yet not BlockChain technology (Feinstein & Werbach, 2020).

As a technology, Blockchain has enormous potential to change the way data are stored and managed. It has a broader application than in cryptocurrencies alone. In partnership with the "Swedish start-up ChromaWay, Andhra Pradesh's Government" is developing a framework for the blockchain land register, enabling citizens to secure lands, receive loans and invest against this asset. Tracking possession of property with Blockchain will prevent lawsuits, theft and mistakes and raising the administrative burden of approvals and transition of titles. To integrate Blockchain in e-government activities, the Maharashtra government has called on the representatives of business, academics and others. The government is one of the primary producers of data and recipients of data. Blockchain should boost data flow performance, openness, accountability and accessibility(Auer & Claessens, 2020).

Conclusion

The monetary and financial world is changing. Cryptocurrency can improve the manner in which data are processed. Crypturancies are becoming more and more popular, despite their weak points and risk factors, and government control of transactions will be difficult. It is also necessary for the cryptocurrency industry to establish over-the-counter markets that trade in cash instead of running bank transfers instead of government banning. While the cryptocurrency ban has been placed, blockchain technology is still being used by governments.

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