

The Impact of Digital Trading with Reference to Cryptocurrency Abstract

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Abstract: *Cryptocurrency, or a peer-to-peer network for encrypted digital trading, was developed eight years ago. Leading the push as a disruptive technology to decades-old, largely unchanged financial payment infrastructure is Bitcoin, the first and most well-known cryptocurrency. Cryptocurrencies might transform how Internet-connected global markets communicate with one another by removing limits imposed by traditional national currencies and exchange rates, even though they are unlikely to replace traditional fiat money. The success of a particular technology is nearly entirely decided by the market it tries to better. Technology advances swiftly. Cryptocurrencies have the potential to totally change digital trade marketplaces by developing a free-flowing, fee-free trading system.*

Keywords: Bitcoin, cryptocurrency, exchange rates, and encrypted currency

I. INTRODUCTION

Bitcoin, the most well-known and popular cryptocurrency in the world, has been gaining acceptance. Although it still has the same basic structure as when it was established in 2008, demand for cryptocurrencies has increased significantly since then due to several changes in the global economy. By using a cryptocurrency, users can exchange value digitally without the aid of a third party. Cryptocurrency works under the assumption that encryption algorithms can be broken to create a limited amount of unique hashes. Thanks to a network of computers that verifies transactions, users can trade hashes exactly like they would conventional currency. The fact that there will only ever be a limited number of bitcoins produced ensures its uniqueness. Water is not only required but also Due of its abundance, it is frequently considered to be free or cheap. If water were rare, it would be worth more than diamonds. The value of bitcoin comes from the belief of its users that if they accept it as payment, they will be able to use it elsewhere to purchase whatever they want or need (Kelly, 2014). As long as the users maintain this faith, the valued object can be anything.

Similar to how Native Americans utilised wampum, a seashell, as their main means of payment, bitcoin's value is ingrained in its environment (Kelly, 2014). Bitcoin doesn't have the same intrinsic value as gold because it can't be utilised to make valuable tangible products like jewellery. Nevertheless, value still persists as a result of acceptance and trust. These kinds of technologies were not considered when developing the current legal and financial systems. Financial institutions' foundation is made up of much ancient forms of money. In some ways, it is similar to the computer industry. The core of computing still relies on transmitting and processing 1s and 0s when there are only two input dimensions. But all of our current technology still follows this technologically obsolete methodology because of adoption, nurturing, and a lack of desire for more contemporary approaches. If cryptocurrency becomes the norm for transactions on a global scale, established trade institutions would need to be fundamentally altered to handle this type of competition. As a result, cryptocurrency may be the one technology that completely changes the world economy.

As Kurihara & Fukushima (2017) pointed out, digital money has not yet taken over the world. IJIRT | Volume 8 Issue 8 | ISSN: 2349-6002 International Journal of Innovative Research in Technology (IJIRT) 153630 594 unlike money produced by governments and central banks Although there is a fixed supply of Bitcoin, it may be expanded at any time. Wonglimpiyarat (2016) underlines that there are problems with uncontrolled tender, and that regulation is how Bitcoin hopes to make this new currency more legitimate. It is challenging to replace a cash-based culture, even though the bitcoin currency has the potential to change finance in underdeveloped countries. The argument provided in 2017 by Kurihara and Fukushima states that digital cash is not commonly used. Cryptocurrencies, in contrast to money created by governments and central banks, can be arbitrarily inflated. These currencies have an unchangeable fixed supply that cannot be changed.

Cryptocurrencies face a serious threat from the intricate labyrinth of US regulations that would need to be negotiated before becoming widely accepted by users. Because the US government hasn't even designated bitcoin as an asset, the majority of market players won't adopt cryptocurrency-based business models (PwC, 2015). The degree to which a cryptocurrency is accepted will depend on whether it is categorised as a security, capital asset, commodity, or money. Despite the fact that views on bitcoin vary by country and are usually favourable, Bitpay's research of transactions shows. Transactions in Europe have reached an all-time high of 102,221 each quarter, according to Patterson (2015), which may be the reason why rules controlling bitcoin and other cryptocurrencies are being formed. Essentially establishing bitcoin as a recognised form of payment in Europe, the European Court of Justice has ruled that bitcoin transactions are exempt from value-added tax (Perez, 2015). This simply means that bitcoin transactions won't be subject to taxation by European countries. Even if this is great news for European bitcoin users, other sizable markets still do not have any meaningful legislation regarding bitcoin taxation. If US legislation has a negative effect on how transactions are handled, the legitimacy of bitcoin as a money could suffer significantly.

II. BENEFITS OF CRYPTOCURRENCY

More specifically, there are only a finite quantity of bitcoin that will ever exist. This characteristic makes bitcoin a workable money and has elevated its status over time. In order to attain its maximum quantity of 21 million coins, bitcoin will be mined with decreasing yields every four years (King, 2013). This characteristic determines how much Bitcoin is worth. Due to the limited supply, it will never get inflated due to an oversupply of bitcoins. Furthermore, it is commonly believed that bitcoin and other cryptocurrencies are protected from inflation brought on by adjustments to or restrictions imposed by national governments. (Magro, 2016). Due to the fact that investments often maintain their value, investors have a "safe haven" in which to place their money. The ability of Bitcoin to withstand declining national currencies is quickly becoming apparent. However, a variety of other outside factors could cause the price to shift significantly, as is the case with the bulk of commodities. It became the best-performing currency of 2015 because to the US Dollar Index, the desire for safe-haven assets, and the volatility of Bitcoin's price. 2016 (Desjardins). This shows that Bitcoin had the highest value of any currency in the world at the end of the previous year. In an economy where China and the United States are the leading players, this is no little accomplishment.

III. LIMITATIONS OF CRYPTOCURRENCY

Bitcoin has several internal issues that are hard to solve because they are part of its design. The public ledger, also known as the block chain, allows any user to see every transaction. Even while bitcoin wallet owners cannot be easily tracked, there is still some anonymity, which some potential users find uncomfortable. The public block chain is vulnerable to assaults since it is so accessible and anyone can observe it (King, 2013). Numerous "stress tests" that were actually DDoS attacks have already been conducted against the Bitcoin network (Hileman, 2016). Exchanges and miners ran these "tests" to highlight a Bitcoin design flaw: the network's inability to accommodate high transaction volumes. The possibility for Bitcoin users to just shut down the network in order to make their point is a bad design decision in the code. These two characteristics are essential to how Bitcoin functions and cannot be changed. Despite these traits, reluctant users must adopt. Bitcoin now has a questionable reputation as a result of recent events. A terrible reputation for digital currency may result from stories like Silk Road, not just for Bitcoin. Nearly a million users and hundreds of drug traffickers could transact in illegal drugs thanks to Silk Road, a hidden dark-net bazaar. Due to its semi-anonymity and lack of government tracking, Bitcoin was their main form of payment. It had a three-year run from 2011 to 2013 and generated sales of around \$1 billion USD (Bearman, 2015).

IV. OPPORTUNITIES OF CRYPTOCURRENCY.

As a pioneer in a technology that has the potential to profoundly change conventional financial systems, cryptocurrency occupies a special position. Being a peer-to-peer system, it has the natural capacity to fill in technological gaps in current financial systems and help with problems with traditional banking. Another peer-to-peer technology, Napster, altered the music industry by cutting out the intermediary (Kelly, 2014). A technology must first address a specific problem in a specified industry in order to be transformational. Cryptocurrencies, for instance, may help with problems involving the unbanked. Large portions of the population in underdeveloped countries do not have access to banking

services. 60% of Latin America's 600 million inhabitants do not have access to a bank account (Magro, 2016). Anyone can trade money with the aid of bitcoin technology without the requirement for a bank or other third party to monitor the transaction. Only a cell phone, which 70% of Latin Americans own (Magro, 2016), is required to use bitcoin. Two users can swap bitcoin by scanning QR codes created by the programme and displayed on their phones thanks to the ad hoc networking capabilities of bitcoin. This may seem like a truly novel solution to some individuals for a long-standing issue. This would undoubtedly increase as the user population grows, making Better cryptocurrency networks and apps more and more in demand. There is a significant market for potential developers to create these applications because this technology might have an effect on any industry that relies on a dependable third-party clearing process (PwC, 2015). Any developers who improve the programmes and GUI to make Bitcoin easier to use will have great success.

V. CONCLUSION

Cryptocurrency appears to have passed the point of early technology adoption. Even cars were impacted by this issue. Bitcoin is starting to carve out a niche for itself, which may either help cryptocurrencies gain greater momentum with users or be the primary reason they fail. Considering that cryptocurrencies are still in their infancy, it is difficult to predict if they will ever be completely commonplace in international markets. The Bitcoin community is attempting to gain wider acceptance through inventing and resolving enduring issues. There are already established and growing fan bases for other cryptocurrencies that are somewhat distinct from Bitcoin but may be just as valid. Even some nations are launching their own national cryptocurrencies, such as Iceland (Hofman, 2014). Future payment systems may very well rely heavily on cryptocurrencies, and Bitcoin may be essential in providing the basis for this to happen. The use of bitcoin is growing on markets in Europe and Latin America, demonstrating its credibility. There are a lot more cryptocurrency and Bitcoin-related topics to look into. a few resources to check out when learning about cryptocurrencies like Bitcoin It is essential to conduct thorough analyses of the economic impacts of Bitcoin on the performance of existing fiat currencies and to compare the findings with those of nations that are just now starting to adopt state-sponsored cryptocurrencies. Cryptocurrency may be able to fill a financial gap left by conventional state-sponsored currencies, but this can only be determined after performing a much more thorough market and economic examination. Smart contracts are one potential application of the block chain technology that powers Bitcoin (Hileman, 2016). These contracts include payments that are made when specific conditions are met. Future innovation in this area is particularly fascinating because predetermined payment arrangements are typically managed by an organization's whole accounting department.

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