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Analysis on the Influence of Cryptocurrency in India

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Abstract: *Cryptocurrency, a decentralized network for secure digital transactions, was established eight years ago. Bitcoin, the initial and well recognized cryptocurrency, is at the forefront of revolutionizing the long-standing and mostly unchanged financial payment system. While it is improbable for cryptocurrencies to replace traditional fiat money, they have the potential to transform the way Internet-connected global markets interact with each other by eliminating the limitations imposed by conventional national currencies and exchange rates. The rapid advancement of technology is closely tied to its success, which is mostly dependent on its ability to improve upon existing market offerings. Cryptocurrencies have the potential to revolutionize digital trade markets by implementing a seamless and cost-free trading system.*

Keywords: Bitcoin, cryptographic currency, forex rates, and digital currency

I. INTRODUCTION

Bitcoin, the most renowned and extensively utilized cryptocurrency globally, has been seeing a surge in popularity. Despite being created in 2008, the essential design of the company has remained unchanged. However, due to many shifts in the global economy, there is currently a significantly greater demand for cryptocurrencies compared to its initial establishment. Users can engage in peer-to-peer digital value exchange by utilizing a cryptocurrency, eliminating the need for intermediaries. Cryptocurrency is based on the idea that encryption algorithms can be deciphered to generate a limited quantity of unique hashes. Users can exchange cryptographic hashes in a manner similar to trading physical currency, facilitated by a network of computers that authenticate transactions. The distinctiveness of Bitcoin is guaranteed by its finite supply, ensuring that only a limited amount will ever be created. Water, although essential, Due to its high abundance, it is commonly perceived as being free or low-cost. If water were scarce, it would possess greater value than diamonds. Bitcoin consumers have the belief that by accepting it as a form of payment, they will have the ability to utilize it for purchasing any desired goods or services, therefore attributing value to it (Kelly, 2014). The item of value can encompass everything, provided that the consumers persist in maintaining their faith in it.

The value of bitcoin is inherent in its environment, similar to how Native Americans utilized wampum, a seashell, as their main means of exchange (Kelly, 2014). Due to its inability to be utilized in the production of tangible assets with inherent value, such as jewellery, bitcoin lacks the same intrinsic value as gold. Nevertheless, the existence of worth persists due to acceptance and trust. The existing legal and financial processes were not designed with this particular technology in consideration. Financial institutions are built upon ancient forms of currency. It bears similarities to the computing industry in specific regards. The fundamental basis of computing continues to depend on the transmission and processing of binary digits (1s and 0s) as long as there are only two input dimensions. However, due to the adoption, cultivation, and absence of a need for more contemporary techniques, all of our current technology continues to utilize this technologically outdated methodology. If bitcoin were to become the global standard for transactions, significant modifications would be necessary for well-established trade organizations to effectively cope with this form of competition. As a result, cryptocurrency has the potential to profoundly impact the global economy.

According to Kurihara & Fukushima (2017), digital cash has not governed the world. The International Journal of Innovative Research in Technology (IJIRT) with the ISSN: 2349-6002, unlike currency issued by governments and central banks, has a volume 8 issue 8 and is identified by the code 153630 594. While the supply of Bitcoin is technically fixed, it can be expanded at the discretion of those in control.

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According to Wonglimpiyarat (2016), uncontrolled tender poses issues, and Bitcoin tries to enhance the legality of this new currency by implementing regulation. While the bitcoin currency holds the potential to bring about a significant transformation in the financial systems of poorer nations, it faces challenges in replacing a society that primarily relies on cash transactions. Based on the elucidation provided by Kurihara and Fukushima in 2017, digital cash is not extensively utilized. Unlike government- and central bank-issued currencies, crypto currencies have the potential to be inflated without any restrictions. These types of currencies have a predetermined quantity that cannot be changed.

The intricate network of regulations in the US that must be successfully maneuverer before cryptocurrencies can gain general user approval presents a significant threat. Most market participants are unlikely to embrace business concepts based on cryptocurrencies due to the fact that the US government has not officially categorized bitcoin as an asset (PwC, 2015). The categorization of a cryptocurrency as a security, capital asset, commodity, or money might have diverse implications on its level of acceptance. Bitpay's study of transactions reveals that sentiments towards bitcoin vary by nation but are predominantly positive. Patterson (2015) reports that transaction volumes in Europe have reached a record-breaking 102,221 each quarter. This surge in activity could be a driving force for the development of regulations for bitcoin and other cryptocurrencies. In a significant ruling, the European Court of Justice has determined that bitcoin transactions are not subject to value-added tax. This decision effectively acknowledges bitcoin as a legitimate means of payment within Europe (Perez, 2015). In essence, this implies that European governments will refrain from imposing taxes on bitcoin transactions. Although European bitcoin buyers may find this news to be excellent, it is vital to note that other major markets still do not have crucial legislation on the taxation of bitcoin. If US law negatively affects the way bitcoin transactions are processed, it could significantly undermine the credibility of bitcoin as a money.

1. Benefits of Cryptocurrency

Bitcoin's inherent strength lies in its finite supply, as there is a predetermined number of bitcoins that will ever exist. This design feature has contributed to its status as a viable currency, which has grown over the years. Bitcoin undergoes a process called mining every four years, during which the rewards for mining decrease gradually. This process is carried out to eventually achieve the maximum number of 21 million coins, as stated by King in 2013. The value of Bitcoin is contingent upon this characteristic. The inflation of bitcoins is prevented due to their limited supply. Moreover, bitcoin and other cryptocurrencies are commonly perceived as being immune to inflation caused by alterations or restrictions imposed by national governments. (Magro, 2016). Consequently, investors have a reliable and secure option to allocate their funds, since it usually maintains its worth. The robustness of Bitcoin as a safeguard against the depreciation of domestic currencies is rapidly becoming apparent. However, like other commodities, various external variables can significantly influence price fluctuations. By using the US Dollar Index, the need for safe haven assets, and the volatility of Bitcoin's price, it emerged as the most successful currency of 2015. (Desjardins, 2016). This signifies that Bitcoin had the highest valuation among all currencies globally at the conclusion of the preceding year. This achievement is significant considering the dominance of China and the United States in the global economy.

2. Limitations of Cryptocurrency

Bitcoin's design contains numerous fundamental problems that are challenging to rectify. Each user has the ability to access and observe any transaction due to the existence of the public ledger, commonly referred to as the block chain. While bitcoin wallet owners cannot be easily identified, this anonymity can be disconcerting for some potential users. Due to the public nature of the blockchain, it is susceptible to attacks due to its accessibility (King, 2013). The Bitcoin network has previously undergone several "stress tests" which were essentially Distributed Denial of Service (DDoS) attacks (Hileman, 2016). The "tests" were performed by exchanges and miners to showcase a design weakness in Bitcoin: the network's incapacity to handle large transaction volumes. A problematic design decision in the code allows Bitcoin users to effectively disable the network as a means of showcasing their viewpoint. These two characteristics are essential to the functioning of Bitcoin and are immutable. Despite these traits, users who are hesitant or unwilling must nonetheless adopt. Bitcoin has acquired a questionable reputation due to recent advancements. Not only Bitcoin, but all forms of digital currency may suffer from a negative reputation due to incidents like Silk Road. The Silk Road was a clandestine internet marketplace operating on the darknet, facilitating illicit drug transactions between numerous drug

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vendors and approximately one million customers. Bitcoin served as their main method of conducting transactions, mostly because it offered less government oversight and a certain level of privacy. The duration of the event was from 2011 to 2013, during which it generated sales amounting to around one billion USD (Bearman, 2015).

3. Opportunities with Cryptocurrency

Cryptocurrency occupies a distinctive position as a trailblazer in a technology that has the potential to radically transform conventional financial systems. As a peer-to-peer system, it has the intrinsic capacity to address gaps in current financial technologies and help resolve concerns with traditional banking. Napster, a peer-to-peer system, revolutionized the music industry by removing intermediaries (Kelly, 2014). For a technology to be considered transformative, it must initially tackle a particular problem inside a specific industry. For instance, cryptocurrencies possess the capacity to tackle the challenges faced by individuals who do not have access to banking services. A significant portion of the population in developing countries does not have access to banking services. According to Magro (2016), 60% of the 600 million individuals residing in Latin America do not have a bank account. Utilizing bitcoin technology enables individuals to engage in financial transactions without the requirement of a bank or any intermediary entity overseeing the process. Bitcoin can be utilized solely using a mobile device, a possession held by 70% of Latin Americans (Magro, 2016). Thanks to the ad hoc networking features of bitcoin, two users can swap bitcoin by scanning QR codes displayed on their phones that have been produced by the software. For certain individuals, this response represents a really innovative solution to a longstanding issue. As the number of users increases, the demand for better bitcoin networks and apps will definitely grow. Given that this technology has the potential to affect any industry that relies on a trustworthy third-party clearing system, there is a significant market for developers to create such apps (PwC, 2015). Developers who improve the usability of Bitcoin by increasing the applications and graphical user interface (GUI) will achieve great success.

II. CONCLUSION

Cryptocurrency appears to have progressed beyond the phase of initial technical acceptance. Even automobiles were impacted by this problem. Bitcoin is carving out a specific market for itself, which could either facilitate the widespread adoption of cryptocurrencies or lead to their downfall. Predicting the future global adoption of cryptocurrencies is challenging due to their early stage of development. The Bitcoin community is endeavouring to enhance its acceptance by implementing innovative solutions and addressing long-standing issues. Several other cryptocurrencies, distinct from Bitcoin yet equally valid, have already emerged and cultivated their own dedicated followings. Certain nations, such as Iceland, have initiated the development of their own sovereign digital currency (Hofman, 2014). It is possible that cryptocurrencies will have a substantial impact on payment systems in the future, with Bitcoin being important in establishing their success. Bitcoin transactions are gaining traction in the marketplaces of Europe and Latin America, demonstrating their credibility. There are numerous other domains to explore in relation to Bitcoin and cryptocurrencies. Key areas to explore when conducting research on cryptocurrencies such as Bitcoin Conducting thorough assessments of the economic impact of Bitcoin on established fiat currencies is of utmost importance. It is also essential to compare these findings with the effects observed in nations that are just starting to adopt government-backed cryptocurrencies. Cryptocurrency may potentially fulfill a financial requirement that conventional state-backed currencies cannot, but this can only be ascertained by a more extensive examination of the market and economic factors. The blockchain technology that serves as the foundation for Bitcoin also has further potential applications, such as smart contracts (Hileman, 2016). These contracts include pre-determined payments that are triggered upon the fulfillment of specific conditions. This field holds great potential for future advancements as it typically falls under the purview of a company's whole accounting department to manage established payment arrangements.

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