

Review Paper on the Impact of Cryptocurrency in India

Rinku Pal¹ and Aniket Mishra²

Assistant Professor, B.Com, Suman Education Society's LN College, Borivali East, Mumbai, India¹

Student, B.Com, Suman Education Society's LN College, Borivali East, Mumbai, India²

Abstract: *A peer-to-peer network for conducting encrypted digital trade called cryptocurrency was created eight years ago. The first and most well-known cryptocurrency, Bitcoin, is leading the charge as a disruptive technology to decades-old, largely unaltered financial payment infrastructure. Although cryptocurrencies are unlikely to displace traditional fiat money, they might alter how Internet-connected global markets communicate with one another by removing restrictions imposed by conventional national currencies and exchange rates. Technology develops quickly, and the success of a particular technology is almost entirely determined by the market it attempts to better. By establishing a free-flowing, fee-free trading system, cryptocurrencies may completely transform digital trade markets.*

Keywords: Bitcoin, Encrypted Currency, Exchange Rates, and Cryptocurrency

I. INTRODUCTION

The most famous and widely used cryptocurrency in the world, Bitcoin, has been gaining popularity. It still retains the same fundamental design as when it was first founded in 2008, but as the global economy has changed repeatedly, there is now a far higher demand for cryptocurrencies than there was at first. Users are able to exchange value digitally without the involvement of a third party by using a cryptocurrency. Cryptocurrency operates on the premise that encryption methods can be cracked to produce a finite number of one-of-a-kind hashes. Users can trade hashes just like they would trade physical money thanks to a network of computers that verifies transactions. Bitcoin's uniqueness is ensured by the fact that there will only ever be a finite amount of it created. Despite being necessary, water Because it is so abundant, it is typically thought of as being free or inexpensive. Water would be more valuable than diamonds if it were uncommon. Bitcoin's users believe that if they accept it as payment, they will be able to use it elsewhere to buy whatever they want or need, which gives it value (Kelly, 2014). The valued object can be anything as long as the users continue to have this faith.

The value of bitcoin is embedded in its ecosystem, much like how Native Americans used wampum, a seashell, as their primary form of payment (Kelly, 2014). As it cannot be used to create tangible items like jewellery that have worth, bitcoin does not have the same intrinsic value as gold. Nonetheless, worth Because of acceptance and trust, exists still. The current legal and financial systems were not developed with this type of technology in mind. The foundation of financial institutions is far older types of money. It is comparable to the computing business in certain aspects. As long as there are just two input dimensions, the foundation of computing still relies on transmitting and processing 1s and 0s. But owing to adoption, nurturing, and a lack of demand for more modern methods, all of our present technology still employs this technologically antiquated approach. Long-standing trade institutions would need to be radically modified to deal with this type of competition if cryptocurrency became the standard for transactions on a worldwide scale. Because of this, cryptocurrency may be the single technology that disrupts the global economy.

The world has not been ruled by digital cash, as Kurihara & Fukushima (2017) explained. Unlike money created by governments and central banks, IJIRT | Volume 8 Issue 8 | ISSN: 2349-6002 International Journal of Innovative Research in Technology (IJIRT) 153630 594 Although the supply of Bitcoin is fixed at a set amount, it can be increased at whim. Wonglimpiyarat, 2016, emphasises that there are challenges with unregulated tender where Bitcoin aims to increase the legality of this new currency through regulation. Although the bitcoin currency has the potential to revolutionise finance in developing nations, it is difficult to replace a cash-based society According to Kurihara and Fukushima's explanation in 2017, it is not digital cash that is widely used. In contrast to government- and central bank-

issued money, crypto currencies can be arbitrarily inflated. These sorts of currencies have a fixed volume of supply that cannot be altered.

The complex web of US rules that would need to be navigated before widespread user acceptance poses a severe danger to cryptocurrencies. The majority of market participants won't adopt cryptocurrency-based business models because the US government hasn't even classified bitcoin as an asset (PwC, 2015). The classification of a cryptocurrency as a security, capital asset, commodity, or money could have a varied impact on how widely it is embraced. Despite the fact that opinions towards bitcoin differ by nation and are generally positive, according to Bitpay's analysis of transactions. According to Patterson (2015), transactions in Europe have risen to an all-time high of 102,221 per quarter, which may be the reason why laws governing bitcoin and other cryptocurrencies are being established. The European Court of Justice has declared bitcoin transactions exempt from value-added tax, essentially establishing bitcoin as a recognised form of payment in Europe (Perez, 2015). Simply put, this means that European governments won't tax bitcoin transactions. While this is fantastic news for European bitcoin consumers, other significant markets still lack important legislation pertaining to bitcoin taxation. The validity of bitcoin as a currency could suffer greatly if US legislation has a detrimental impact on how transactions are handled.

II. ADVANTAGES OF CRYPTOCURRENCY

More specifically, the set number of bitcoin that will ever exist, bitcoin has strength by design to make it a viable currency that has increased in status over the years. Every four years, bitcoin will be mined with decreasing returns in order to reach its maximum supply of 21 million coins (King, 2013). The value of Bitcoin depends on this feature. It won't ever get inflated from an overabundance of bitcoins because there are only a finite number of them. Additionally, bitcoin and other cryptocurrencies are typically seen as being shielded from inflation brought on by changes to or limits imposed by national governments (Magro, 2016). As a result, investors have a "safe haven" to invest their money in because it typically retains its value. The resilience of Bitcoin as a hedge against devaluing national currencies is emerging swiftly. However, as is the case with the majority of commodities, a number of other external factors might cause the price to change drastically. Utilizing the US Dollar Index, the need for safe haven assets and the volatility of Bitcoin's price helped it become the top performing currency of 2015. (Desjardins, 2016). This indicates that at the end of the previous year, Bitcoin had the highest value of any currency worldwide. This is no small accomplishment in a world economy where China and the United States are dominant players.

III. IMPERFECTIONS

Numerous internal flaws in Bitcoin are inherent to its design and are therefore difficult to fix. Every user may view every transaction thanks to the public ledger, also known as the block chain. Although there is a degree of anonymity because bitcoin wallet owners cannot be directly traced, some potential adopters find it unsettling. Since everyone may view the public block chain, it is vulnerable to attacks because of the ease of access (King, 2013). The Bitcoin network has already experienced a number of "stress tests" that were simply DDoS assaults (Hileman, 2016). These "tests" were conducted by exchanges and miners in an effort to demonstrate a design flaw in Bitcoin: the network's inability to support huge transaction volumes. An unpleasant design choice in the code is the ability for Bitcoin users to just shut down the network in order to demonstrate their point. These two features are fundamental to how Bitcoin works and cannot be modified. Reluctant users must adopt despite these characteristics. Recent developments have given bitcoin a dubious reputation. Not just Bitcoin, but all digital currency might get a bad name from tales like Silk Road. Silk Road was an online marketplace buried in the dark-net, which allowed thousands of drug dealers and nearly a million customers to make illegal drug deals. Bitcoin was their primary means of transaction, due to the lack of government tracking and semi-anonymity. It ran from 2011 to 2013, and racked up nearly one billion USD in sales (Bearman, 2015).

IV. OPPORTUNITIES

Cryptocurrency is in a unique position as a pioneer in a technology that could fundamentally alter established financial systems. Being a peer-to-peer system, it has the inherent ability to close gaps in present financial technology and assist in resolving issues with traditional banking. By eliminating the middleman, Napster, another peer-to-peer system,

changed the music business (Kelly, 2014). In order to be transformative, a technology must first address a specific issue in a given sector. For example, cryptocurrencies have the potential to address issues with unbanked people. . In developing nations, sizable segments of the populace lack banking services. 60% of the 600 million people who live in Latin America lack access to a bank account (Magro, 2016). With the help of bitcoin technology, anyone can trade money without the need for a bank or other third party to supervise the transaction. Bitcoin may be used with just a cell phone, which 70% of Latin Americans do have (Magro, 2016). Due to the ad hoc networking capabilities of bitcoin, two users can exchange bitcoin by scanning QR codes displayed on their phones that have been generated by the programme. For some people, this is a truly original answer to a problem that has persisted for a long time. As the user base expands, this would inevitably rise, hence the Better cryptocurrency networks and apps will become more and more in demand. Since this technology could have an impact on any sector that depends on a reliable third-party clearing mechanism, there is a sizable market for potential developers to produce these applications (PwC, 2015). Any developers that make Bitcoin more usable by enhancing the applications and GUI will be tremendously successful.

V. CONCLUSION

It looks like cryptocurrency has moved past the stage of early technology adoption. This issue even affected autos. Bitcoin has begun to establish a niche for itself, which may either help cryptocurrencies gain traction with more people or be the main cause of their demise. It is difficult to forecast if cryptocurrencies will ever become fully widespread in global markets because they are still in their infancy. The Bitcoin community is making an effort to become more widely accepted through innovating and tackling persistent problems. Other cryptocurrencies that are a little bit different from Bitcoin but perhaps just as legitimate have already developed and established their own fan bases. Even some countries, like Iceland, are starting their own national cryptocurrency (Hofman, 2014). It's feasible that cryptocurrencies may play a significant role in payment systems in the future, and that Bitcoin will play a key role in laying the groundwork for their success. Bitcoin transactions are expanding on the markets in Europe and Latin America, proving their legitimacy. There are a lot of other areas to research regarding Bitcoin and cryptocurrencies. places to look into when researching cryptocurrencies like Bitcoin It is crucial to carry out comprehensive evaluations of the economic effects of Bitcoin on the performance of established fiat currencies and to contrast the results with those of countries that are only now beginning to adopt state-sponsored cryptocurrencies. It is possible that cryptocurrency can cover a financial need that traditional state-sponsored currencies are unable to, but this can only be determined after conducting a far more in-depth market and economic analysis. The block chain technology that underpins Bitcoin also has other potential uses, such smart contracts (Hileman, 2016). These contracts have built-in payments that are made when certain requirements are satisfied. This is a particularly exciting area for future innovation because predetermined payment arrangements are normally handled by a company's whole accounting department.

REFERENCES

- [1]. www.ijlmh.com
- [2]. www.ijcrt.org
- [3]. www.jetir.org
- [4]. www.ijsr.net
- [5]. www.researchgate.net
- [6]. www.bankrate.com