



RESEARCH ARTICLE

A STUDY ON ELECTRONIC MONEY- CRYPTOCURRENCY

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ARTICLE INFO

Article History:

Received 20th June, 2018
Received in revised form
17th July, 2018
Accepted 12th August, 2018
Published online 30th September, 2018

Keywords:

Digital Currency,
Digital Money,
Cryptocurrency.

ABSTRACT

Recently digital currency have gained a lot of attention from media. Digital currency uses technology for transfer of currency among entities. As a result of elimination of intermediaries digital currency allows swift transactions with the help of internet. Cryptography is used for increasing the security of monetary transactions. Also known as cyber cash and digital money can be used to purchase goods and services but is restricted to certain online communities. Digital currency does not fetch any interest as it is not accepted by banks. Cryptocurrencies and virtual currencies are categories of digital currencies. Block chain is the technology behind cryptocurrencies.

INTRODUCTION

Digitalization has been one of the major pioneer for continuous evolution in financial industry. It is forcing the entire industry to rethink its concept of brick and mortar stores. It has become a key to augment customer satisfaction and boost business performance. Digitalization is the future of financial industry. Digitalization has entered most of the sectors leaving a few untouched. There was a wave of blockchain in the year 2017. Blockchain is a centralized data base, and corruption or any kind of red tapism is not possible as the transactions are open for all participants. Personal wealth invested in cryptocurrency is beyond confiscation and any restriction. (Mediumcash, 2018). Digital currency has only a limited user base and the regulatory framework as well as tax treatments of digital currencies is still evolving. The infrastructure needed to support digital currency is still work in progress. Cross border transactions are really costly and as payments are made directly between payers and payees, unlike traditional payment methods the transaction costs have significantly come down. (Digital currency, Techopedia, 2018). Although the industry was computerized for decades digitalization was delayed due to the slow adoption rates of modern technology. Blockchain was a product of digitalization era. Blockchain is a public ledger of all the transactions that have ever been executed. The blockchain as a public ledger has complete information about addresses and balances that complete the blockchain. It is the standing source behind cryptocurrency.

Bitcoins make the whole system more capable as it contributes to formation of an efficient global financial market. (Decentralized Cryptocurrencies are the future, Forbes, 2018) Growth of cryptocurrency is backed by the fact that it makes simple and transparent flow of fund possible. Bitcoins have both advantages and disadvantages. One of the biggest advantage is its user anonymity, very low transaction fees, mobile payments and the purchases are not taxed. (what are the advantages of paying with bitcoin, Investopedia) Along with its highly volatile nature and its exposure to use of illegal financing it has created wary among investors. Volatility creates confusion among investors who are aiming to hold long in bitcoins. High volatility most commonly coincides with high volume and price drop and has the potential to match the volatility of fiat currencies. (5 things you need to know about bitcoin volatility, crptocompare.com).

Review of Literature

The rise in the financial industry was possible only because of digitalization. The whole process of digitalization is automated and gives more freedom to the users. The reason behind the change can be transparency of blockchains. There is no possible chance of inflation as there is cap on number of cryptocurrency like bitcoin can be produced. (Mahdi H. Miraz, Maaruf Ali, 2018) Blockchain technology stays unaffected by any political or corporate influence. The impact of digitalization and cryptocurrency can be clearly seen on the financial industry. Bitcoins accompany remarkable speed of transaction. Currency can be transferred from one entity to other in no matter of time. A cryptographic puzzle, proof of work (POW) ensures the blockchain maintains a digital ledger

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of transactions which is considered to be the scrupulous. It even uses a changeable public key (PK) to record the users identity, which gives an extra layer of privacy. (Niharika Singh, 2018) In cryptocurrency system of payments everybody within the system can view the financial transaction of all other participants. But the greatest disadvantage would be that it is not backed by a sovereign authority. There is no central authority dictating rules or regulations to keep a check on the bitcoins. Strong volatility has always been a point of worry for investors who look for long or medium term investment in bitcoins. The higher the cost, slower the transaction because verifying a transaction with high amount can take a lot of time. Web hackers and cookies can be used to trace your identity via transactional patterns.

Need for study: Blockchain technology is a technology innovation that enables new possibilities and cryptocurrencies that are the ships going out to explore the blockchain wilderness. The future is uncertain but cryptocurrency and blockchain are becoming a fundamental part of future. Movement of global economy towards digital ecosystem is one of the major needs to study cryptocurrency. There are a lot of unexplored advantages of blockchain and bitcoins which are yet to be utilised by the online community. Diverse applications of cryptocurrency still remain unfathomed. One of the major needs is to identify major challenges associated to the employment of blockchain and cryptocurrency for enhanced financial systems around the globe. The features like anonymity possessed by blockchain transactions can prove as a very useful tool for stock market industry as the possibility of earning profit goes hand in hand with anonymity of transactions.

Statement of problem: By far the biggest issue in the cryptocurrency market is the excessive volatility. The price of cryptocurrencies in the exchange platform rise and fall dramatically over a short period of time. The cryptocurrency market has right from its inception has attracted the interest of hackers and cyber criminals. There have been a number of high profile cryptocurrency hacks that have resulted in millions of dollars being stolen. Traders and investors have lost funds and some platforms have ceased to operate. Money laundering, financing of terrorist groups, lack of backup from any central authority, hacking risks are few risks borne by digital currencies.

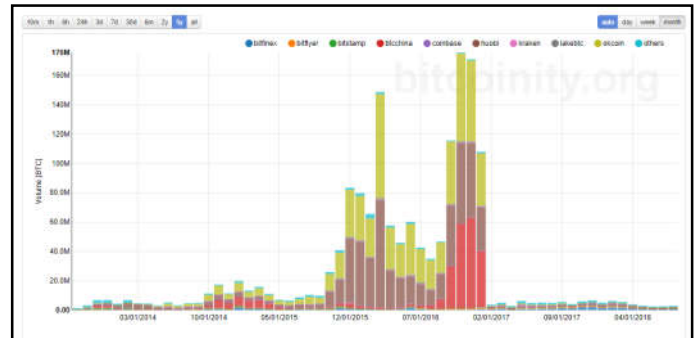
Objectives

- To understand the importance of cryptocurrency and its uses.
- To make cryptocurrency a part of banking industry.
- To understand the motivation of entrepreneurs and business people to participate in the evolution of digital currencies.
- To analyse the factors affecting the growth of digitalization in the financial industry.
- To provide suggestion for introduction of cryptocurrency in various other industries.

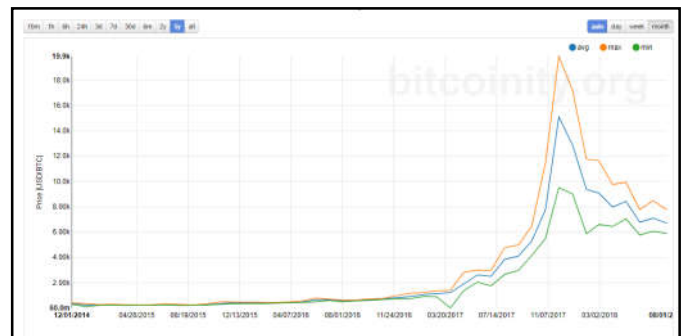
MATERIALS AND METHODS

The research paper is a result of exploratory research based on the secondary data sourced from journals, magazines, articles and media reports.

Analysis And Interpretation: The chart given below shows trading volume of bitcoins on various exchanges traded in US dollars. It is a stacked bar chart. The data collected is for 5 years from 2014 to 2018. The year 2017 which is seen as blockchain year shows exceptional increase bitcoin trading volume. As a result of various regulations introduced by sundry countries there is steep fall in the volume. (data.bitcoinity.org, 2014-2018).



The chart below shows price of bitcoin in US dollars traded on the exchange named coinbase for 5 years from 2014 to 2018. The type of chart used is line chart. In the beginning of the year 2017 there is a rise in price. (data.bitcoinity.org, 2014-2018).



The chart shows the progress in the price of the Bitcon in past 1 year. Escalating to the price of \$19000 in December, the price has fallen to around \$7000 in the beginning of April (Forbes).

Suggestions and recommendations

The aim of the research is to include cryptocurrency in the portfolio of international reserves and to use cryptocurrency as a means of security for digital assets. To introduce decentralised market system in banking and other industries.

To introduce cryptocurrencies in not well established financial markets as internet is one of the basic requirement. Blockchain technology can be used to prevent major financial crisis like great depression, 2008 crisis etc. Augment the user base and advance the regulatory framework as well as tax treatments of digital currency. Increased investigation should be done in the field of the influence of the culture of digital currency.

Conclusion

Cryptocurrencies still have numerous significant obstacles to overcome before they can overpower the present traditional currency. Companies are still sceptical to consider them as stable enough to hold them for long periods. Cryptocurrency have to overcome a lot of internal challenges as well. The introduction of digital currency has led to increased levels of transparency and few incidents of frauds. The aim of digitalization in financial industry is total replacement of banks and other financial intermediaries. Over decade the cryptocurrency might overpower the central authority backed fiat money for conducting financial transaction. The greatest potential of cryptocurrency is incorporating with other emerging technologies to enroot new revolution. Blockchain technology used by cryptocurrency can be expanded to any industry that involves large scale record keeping. It is not easy to predict the future value of cryptocurrency as there is a lot of scope for formal regulations in the field.

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