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Cryptocurrencies—The End of Money

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Abstract

There is extensive growth in the field of information and communication technologies. Many works in our day-to-day lives have become online. Since they have gone online, they have become easier and more flexible with high scalability. There is tremendous growth in the online sector, which has given rise to virtual concepts like buying, selling, and trading. Cryptocurrencies are decentralized tokens with some monetary value that have an electronic existence in various applications and networks such as online social networks, trading, buying NFTs, and peer-to-peer networks. The use of cryptocurrencies has become widespread in various systems in recent years. My research paper is based on how the user's current financial system is being replaced with cryptocurrencies which are decentralized. It also deals with the users' trust in dealing with the cryptocurrency where there are no formal laws regarding cryptocurrencies. My research paper is also aimed at measuring the spread of the tokens and their various practical applications. This paper also analyses the laws in various countries regarding cryptocurrencies, including the terms and regulations. This research paper also aims to show how people are looking for a decentralized money transaction system in which no government is involved but only customers or consumers.

Keywords: Blockchain, challenges in cryptocurrencies, cryptocurrencies, cryptocurrency vs financial system, currency, finance, government laws

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. By using a cryptocurrency, users can exchange value digitally without the aid of a third party. Users may trade hashes just like they would trade actual money, thanks to a network of computers that verifies transactions. The fact that there will only ever be a finite amount of Bitcoin ensures its uniqueness. The fundamental questions of this study—"Will cryptocurrencies be the next platform for exchanging currencies? is addressed in the study, which looks at a variety of cryptocurrency platform-related topics. Are systems for virtual currencies secure enough to be used? [1, 2].

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THE CRYPTOCURRENCY MARKET PLATFORM

The global cryptocurrency market size which was valued at $1.49 billion in 2020 is predicted to reach $4.94 billion by 2030, growing at a rate of 12.8% from 2021 to 2030. This technology does not depend on banks for the authentication of the transactions whereas it uses peers present in the network who verify each transaction in return for transaction fees known as GAS fees. Using this mechanism, there is an increase in the field of finance. The cryptocurrency business saw tremendous growth in the hardware sector as a result of the growing need for software performance improvements and tools to speed up financial transactions. However, over the projection period for the cryptocurrency market, the software sector is anticipated to develop at the fastest pace since it makes it easier to handle the enormous amount of data being created for insightful insights and better decisions (the above Figure 1 shows the rise in the cryptocurrency market).

A JOURNEY OF CRYPTOCURRENCY IN INDIA

2013: First regulation by the RBI for Cryptos. Cryptocurrency trading exchanges like Zebpay, Pocket Bits, and Coinsecure began spreading in India. For this, RBI had warned via circular about the security threats and risks that can lead to financial loss by using the virtual currency.

2016–2018: Ban on cryptocurrency by the RBI [*3*]. The experiment with demonetisation increased the inclination for digital payments, which unintentionally boosted cryptocurrency investments by attracting tech-savvy clients to the virtual asset. As long as Indian banks were still allowing transactions on cryptocurrency exchanges, the RBI would issue another circular in 2017 to express its concerns about virtual currency. Finally, the RBI and the finance ministry issued a warning towards the end of 2017 making it very apparent that virtual currencies are not a form of legal tender. The Central Board of Digital Tax (CBDT) presented the finance ministry with a draught plan to outlaw virtual currencies in March 2018. About a month later, the RBI issued a circular prohibiting banks, NBFCs, and payment system providers from working with virtual currencies and offering their services to virtual currency exchanges. As a result, trade volumes on cryptocurrency exchanges collapsed by 99% [4–6].

November 2018: #IndiaWantsCrypto moment. Nischal Shetty, the founder of WazirX, launched the #IndiaWantsCrypto campaign on November 1st, 2018, 10 years after Nakamoto's article called for the favourable regulation of cryptocurrencies in India. The campaign's initial impact came when Rajeev Chandrashekhar, a current Rajya Sabha MP, responded favourably to it [7].

March 2020: The Supreme Court overturns the ban on cryptocurrency banking. The RBI circular's prohibition, which was a major setback, prompted cryptocurrency exchanges to file a writ case with the Supreme Court, which led to the ban's eventual repeal and the ruling that the RBI circular was illegal [8, 9].

2021: Announcement of the Crypto Bill. Yet, the battle for cryptocurrencies in India was not over yet. In January 2021, the Indian government announced its plan to create a state-backed digital currency and ban privately-owned cryptocurrencies. However, after consultations with the Blockchain and Crypto Assets Council and other stakeholders in November 2021, the Standing Committee on Finance agreed that cryptocurrencies should be regulated instead of completely banned. Later, in December 2021, Prime Minister Narendra Modi led a meeting to discuss the topic of cryptocurrencies with senior officials. India will put in place a stringent regulatory framework to deal with cryptocurrencies, based on the current indications [10–12].

The choice of which regulatory agency will handle the problem needs to be made. The government would probably classify cryptocurrency as an asset class rather than a form of money.

CRYPTOCURRENCIES AS A DIGITAL ASSET

Cryptocurrencies have been used for three main purposes: first one being where the cryptocurrency is exchanged for real money, such thing usually happens when a person wants to enter the field of crypto trading. Here, it is necessary to establish an exchange rate to regulate financial trading.

The second is where cryptocurrency is used to buy a valuable asset, which can be any tangible goods; these services are majorly provided in dark websites. Third purpose of cryptocurrency is, where some kind services are availed.

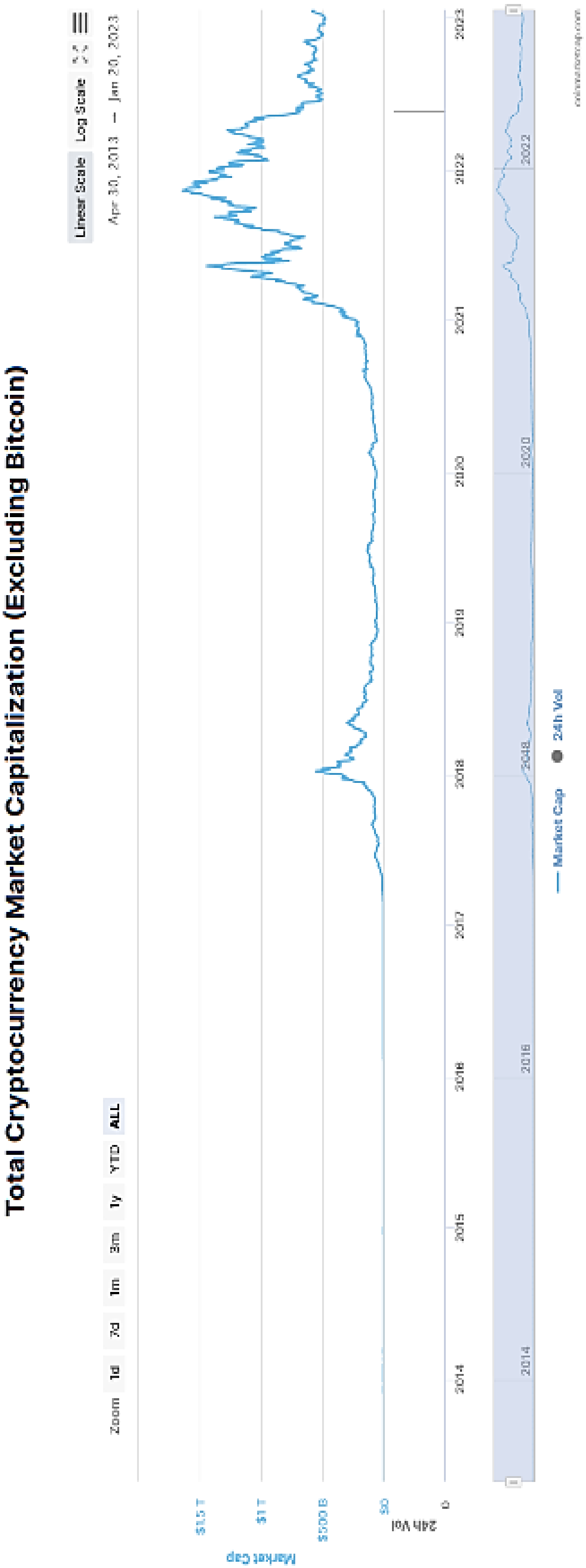

Figure 1. Total Crypto currency market capitalization.

ADAPTATION OF CRYPTO TOKENS AS NATIONAL CURRENCY

The Legislation of El Salvador: A Significant Evaluation of Bitcoin. The legislation establishing Bitcoin as legal cash in El Salvador was published in the official gazette on June 9th, 2021. The law becomes operative on September 7, 2021. It is still too early to determine the worldwide ramifications of El Salvador being the first nation to legally recognize Bitcoin as legal cash, but it is undeniable that this is the first domino to fall towards broader global acceptance [13, 14].

CRYPTOCURRENCIES VS BANKING CURRENCIES

Cryptocurrencies first do away with middlemen in transactions. The value-date methodology set by the banks no longer affects how quickly a money transfer is processed. Second, since ledger entries cannot be modified after they have been processed, blockchain offers a strong protection against fraud. If we see the example of El Salvador, that country has recognized Bitcoin as its official national currency because of this factor. Since this factor was passed, that country can use Bitcoin for all of its purposes like getting loans, buying, selling, insurance, and banking details. This poses an immediate danger to fiat currencies [15, 16]. There is a probability that the US dollar can weaken in presence of Bitcoin and other cryptocurrencies. If many countries start to follow this approach, then issues such as inflation can be drastically reduced. People can have control over their financial assets completely. Of course, there are also a great deal of serious issues and concerns in this case. If cryptocurrencies overtake cash in usage, traditional currencies will lose value without any compensation. If cryptocurrencies were to completely take over, new infrastructure would need to be created in order for the world to adapt. Since cash would soon become incompatible, leaving some people with lost assets, the transition would unavoidably be difficult. It is probable that established financial institutions would struggle to adapt.

CONCLUSION

Cryptocurrency offers a novel, practical, and appealing payment method model that can boost business and operator revenue. In addition to traditional money, cryptocurrencies provide users with different payment options to perform financial transactions such as purchasing, selling, transferring, and exchanging. However, despite offering a new currency with distinct processes and procedures, cryptocurrency platforms are not subject to the same level of oversight and regulation as they should be. A study on bitcoin systems identified several issues and challenges that pose a risk to such a financial system, with the lack of regulations being the primary concern. My review of the available cryptocurrency literature and the results of the study I did have almost completely clarified the scope of Bitcoin use. Although the pilot survey had a tiny sample size, the findings gave me a first impression of how people were using, trusting, and expecting to use cryptocurrencies in the future. I now see a lot of signs that could offer some preliminary responses to the study topics. According to my study, the significant amount of cryptocurrencies moving through various systems, the enormous expansion and growth of utilising and implementing cryptocurrencies, and the prospects cryptocurrency systems present all point to cryptocurrencies becoming the future currency platform.

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