
Cryptocurrency and its Future

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ABSTRACT

A cryptocurrency is a digital asset designed to work as a medium of exchange that uses cryptography to secure its transactions, to control the creation of additional units, and to verify the transfer of assets. Bitcoin is the first and most popular cryptocurrency in the world. It was created with a vision to provide a decentralised network where there is no central authority regulating the value of the medium. The value would totally depend on the demand and supply of the digital currency. The idea attracted a lot of attention and after a few years bitcoin became a global sensation. On 17th December 2017, bitcoin's value peaked at \$19,666. After its meteoric rise, the cryptocurrency has sparked many debates across the globe as to whether the medium is reliable or not. While some believe cryptocurrency is the way ahead, others argue that it is bound to fail. As the highly volatile digital currency is expected to reach new heights in the years to come, it's yet to be seen whether the world accepts cryptocurrencies as a mainstream medium of exchange.

Keywords: *Cryptocurrency, Bitcoin, Digital Currency, Decentralised.*

INTRODUCTION TO CRYPTOCURRENCY

The idea of a digital currency protected by cryptography is speculated to be around since 1980's but cryptocurrency as we know it today came to be when a revolutionary white paper was posted on the internet on 31st October 2008 with the title 'Bitcoin: A Peer-to-Peer Electronic Cash System'. The paper was posted by an anonymous individual or group known by the pseudonym Satoshi Nakamoto.

In January 2009, the bitcoin network came into existence with the release of the first open source bitcoin client and the issuance of the first bitcoins, with Satoshi Nakamoto mining the first ever block of bitcoins (known as the genesis block), which had a reward of 50 bitcoins.

The main idea bitcoin was based on was to provide a free decentralised economy with no governing body or regulations. In this network, instead of there being a central ledger, each node (a computer connected to the network) has a copy of ledger which contains the information of every transaction that has taken place in the network. This is possible with the help of the blockchain technology.

A blockchain is a digitalized, decentralised, public ledger of all cryptocurrency transactions. Constantly growing as 'completed' blocks (the most recent transactions) are recorded and added to it in chronological order. It allows market participants to keep track of digital currency transactions without central recordkeeping. Each node gets a copy of the blockchain, which is downloaded automatically.

A bitcoin cannot be duplicated as it is secured by cryptography and it has value because it has a limited cap of 21 million coins. Since bitcoin's inception, many other cryptocurrencies have popped up. Some of the most popular ones are litecoin, ripple and ethereum. Even though there are new cryptocurrencies emerging all the time, bitcoin still remains to be the most popular one.

As cryptocurrencies experiences a meteoric rise in the market, people are both afraid and fascinated at the risks and possibilities it has to offer. So the question is, is cryptocurrency a threat to the society or is it the way ahead?

CRYPTOCURRENCY: A STEP IN THE RIGHT DIRECTION?

“I think the internet is going to be one of the major forces for reducing the role of government. The one thing that’s missing but that will soon be developed, is a reliable e-cash.”

These were the words of Dr. Milton Friedman an economist who received the 1976 Nobel Memorial Prize in Economic Sciences for his research on consumption analysis, monetary history and theory, and the complexity of stabilization policy. He made this statement in 1999, little did he know that just after a decade, a paper would be presented on the internet about a decentralised digital currency and within months the network would start and revolutionise the economy for years to come.

Cryptocurrencies have been attracting a lot of attention since its unimaginable growth in 2017. It has been a major reason for debates as it poses a lot of risks and it’s almost impossible to control. This lack of control has perplexed the governments of various first world countries as people have had mixed opinions about it. There are many factors in favour of cryptocurrency while an equal amount is against it. Some of these factors are discussed below

ADVANTAGES

-) There are no boundaries when it comes to transfer of funds. You may be geographically in Thailand, but you can work for a company in United States. Sometimes, it can be really difficult to transfer money from one country to another, but cryptocurrencies do not recognize the concept of borders so the transaction can take place in a matter of seconds without going through many formalities.
-) Inflation is almost non-existent in the cryptoworld, but it still exists to financially incentivize the production of blocks. The most important part here is that the inflation is known, this number is not hidden by anyone. In case of central banks, the inflation rate is not known. The banks irresponsibly print a lot of fiat without general population approval. This transparency is a major reason for people to switch to cryptocurrency.
-) Cryptocurrencies provide transparency which central banks fail to provide. During the early days of bitcoin and ethereum, people tried to exploit the loopholes in the networks, but due to the fact that everyone could see what was happening, the loopholes were closed in a short period of time with the determination of community and developers.
-) There is little to no transfer fees involved in making transactions with cryptocurrencies whereas the banks levy various fees upon transfer of money.
-) Nobody can block or freeze your cryptocurrency wallet and you enjoy security and anonymity.
-) As the digital age dawns upon us, cryptocurrency opens up the world to many applications that make fund transfer and bill payments quick and simple.

DISADVANTAGES

-) Cryptocurrencies are highly volatile and while they wield huge profits most of the time they might be a risky investment option.
-) The investor can be cheated if there is lack of awareness.
-) Because of the high anonymity that digital currency users enjoy, certain individuals or organisations are using it to carry out their illegal activities. This could be threatening to the society.
-) Transactions once made are irreversible. If you make a transaction by mistake, there is no way you can undo it.
-) As cryptocurrency is still in its infancy, there is a lot of uncertainty surrounding it. Governments are still sceptical about it.
-) It is not accepted widely as a means of exchange as of now. Very few countries have legalized the use of cryptocurrencies. It makes it impractical for everyday use. Due to lack of acceptance, before buying or investing online or offline, you need to make sure that it’s accepted at that place where you want to use it.

Although it is slowly getting the acceptance around the world, it will take time to take the idea entirely out of the shadows.

CONCLUSION

Despite the disadvantages, cryptocurrency is growing rapidly. Just like a fiat currency, a bitcoin has value because people have put their trust in it collectively. The humongous increase in its value proves that more and more people are placing their trust in it as a reliable and convenient mode of exchange or a good investment option.

The potential in cryptocurrency is massive. Countries like Japan have realized this and have accepted digital currencies with open hands while placing certain basic regulations to provide security. Japan now has bitcoin ATM's scattered all across its cities. There are also thousands of stores in the country accepting payment in bitcoins. This could open the world to new applications of digital currencies.

Over 2 decades ago people were scared of the rapid growth of the internet. The internet had a lot of potential but it could also turn out to be a threat to the society. 20 years later, while the internet is still a security issue, it has opened doors to unimaginable possibilities.

Given the right space and opportunity to grow, cryptocurrencies also have the potential to change the economic system as we know it. This change would take time but if the world governments accept it while only taking putting in place basic regulation to avoid illegal activities and fraud, cryptocurrency could revolutionise the way of living.

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