FUTURE OF CRYPTOCURRENCY

Utkarsha Bhoir	**Sagarika Reddy**	**Prof. Megha Wankhade**
Student, NCRD's Sterling Institute of Management Studies, Nerul, Navi Mumbai	Student, NCRD's Sterling Institute of Management Studies, Nerul, Navi Mumbai	Assistant Professor (M.C.A.) NCRD's Sterling Institute of Management Studies, Nerul,
bhoirutkarsha@gmail.com	sagarikareddy.mca@gmail.com	meghasw@gmail.com

ABSTRACT

The world of money and finance is revolutionizing before our eyes. Digitised assets and financial channels, instruments and systems are creating new paradigms for financial transactions. This Cryptocurrency Study is our initiatory research focused on alternative payment systems and digital assets. The findings are striking as well as thought-provoking. First, the user adoption of several cryptocurrencies has really taken off, with billions in the market cap and millions of wallets estimated to have been 'active' in 2020. Second, the cryptocurrency industry is both localised and globalised, with borderless exchange operations, as well as geographically clustered mining activities. Third, the industry is becoming more flexible, as the lines between wallets and exchanges are increasingly 'blurred' and many cryptocurrencies, not alone bitcoin, are now supported by a growing ecosystem, fulfilling an array of functions. Fourth, the concern of security and regulatory compliance are likely to remain prevalent for years to come. We hope this study will provide value to academics, practitioners, policymakers and regulators alike.

Keywords

Blockchain, CryptoCurrency, Whale, Wallet, Global Market, Money Laundering.

INTRODUCTION

Cryptocurrencies, which are digital means of exchange that use cryptography for security. The word 'crypto' came from the ancient greek word, 'kryptós', which means hidden or private. A digital currency which is created and used by private individuals or groups has multiple benefits.

The significant feature of these currencies is that payments can be made without the involvement of banks. Customers can transfer a huge sum of money through their digital wallets. Some cryptocurrencies have matured from being associated exclusively with techies and radicals to being considered by many central banks as a technology to implement digital money.

Cryptocurrencies are decentralized. In other terms, it is created, exchanged and regulated by its users. Cryptocurrency is digitally mined. The question of 'how cryptocurrencies have value' is complex, and it reveals that any currency derives its worth from faith in its purchasing power. All currencies require a system that safeguards against misuse and fraud.

LITERATURE REVIEW

In this technological era, the technical terms such as cryptocurrency and bitcoins have captured the attention of both tech-savvy and the internet experts. As per an article named "A Short Introduction to the World of Cryptocurrencies" by Fabiana Schar and Aleksander Berentsen, bitcoin first came into existence with a white paper that was published in 2008 (Berentsen & Schar, 2018). The creators of the model intended to introduce a "cashless payment model" that would allow electronic transactions instead of the physical cash-based transactions. In order to help the readers understand the concept of bitcoin, the authors have highlighted the cash transactions as well as the electronic payment system (Abdi, 2014).

The major difference between the traditional and the electronic payment via bitcoin is that there is no involvement of physical cash in the later system. Bitcoin is a virtual money unit that has no physical or tangible representation (Abramaowicz, 2016). In order to use this currency, it is necessary to establish at all times, the total number of money units that exist and the number of new money units that have been created. Such approaches are highly crucial to make sure that all the involved participants consent about the ownership rights relating to the digital currency units.

Bitcoin is the cryptocurrency that uses a "peer-to-peer" technological model that enables different kinds of functions such as the issuance of currency, the processing activities relating to the transactions, and the verification process. This technology based virtual model has grown to a large degree in just a decade and it is expected that this trend is likely to continue in the future as well (Vigna & Casey, 2016).

The high volatility in cryptocurrencies investment is compensated by the high expected return. Similarly, the low correlation of cryptocurrencies with stocks, bonds, commodities, and foreign exchange rates creates a potential for diversification for investors. e opportunities brought by the diversification benefits of cryptocurrencies have garnered considerable attention with research reporting various findings. Remarkable among the prior studies is the work of Bouri et al. (2017), who posit that bitcoin can be hedged in a limited number of scenarios and remains a good option for diversification techniques similar to bonds, stocks, gold, and other commodities. However, Doreitner & Lung (2018) argue that in case cryptocurrencies are used as an investment rather than just a payment or exchange medium and held for diversification reasons within an investor's portfolio, the behavior of cryptocurrency returns and their volatility might be sharply different on weekends. Therefore, cryptocurrencies are not only perceived as an alternative currency but also an object of investment. Similarly, a study by Citigate Dewe Rogerson imparted that every fifth adult resident in England who never had a cryptocurrency would like to buy it by 2021 (Volosovych & Baraniuk, 2018).

PROBLEM DEFINITION

The partly-anonymous nature of cryptocurrency transactions makes them well-suited for a host of illegal activities, such as money laundering and tax evasion. However, the cryptocurrency advocates often highly value their anonymity, citing benefits of privacy like protection for whistleblowers or activists living under repressive governments. Some of the cryptocurrencies are more private than others.

Bitcoin is a relatively poor choice for running illegal business online, since the forensic analysis of this Bitcoin blockchain has helped authorities arrest and prosecute criminals. More privacy oriented coins do exist, however, such as Monero, Dash or ZCash, which are far more difficult to trace.

OBJECTIVE

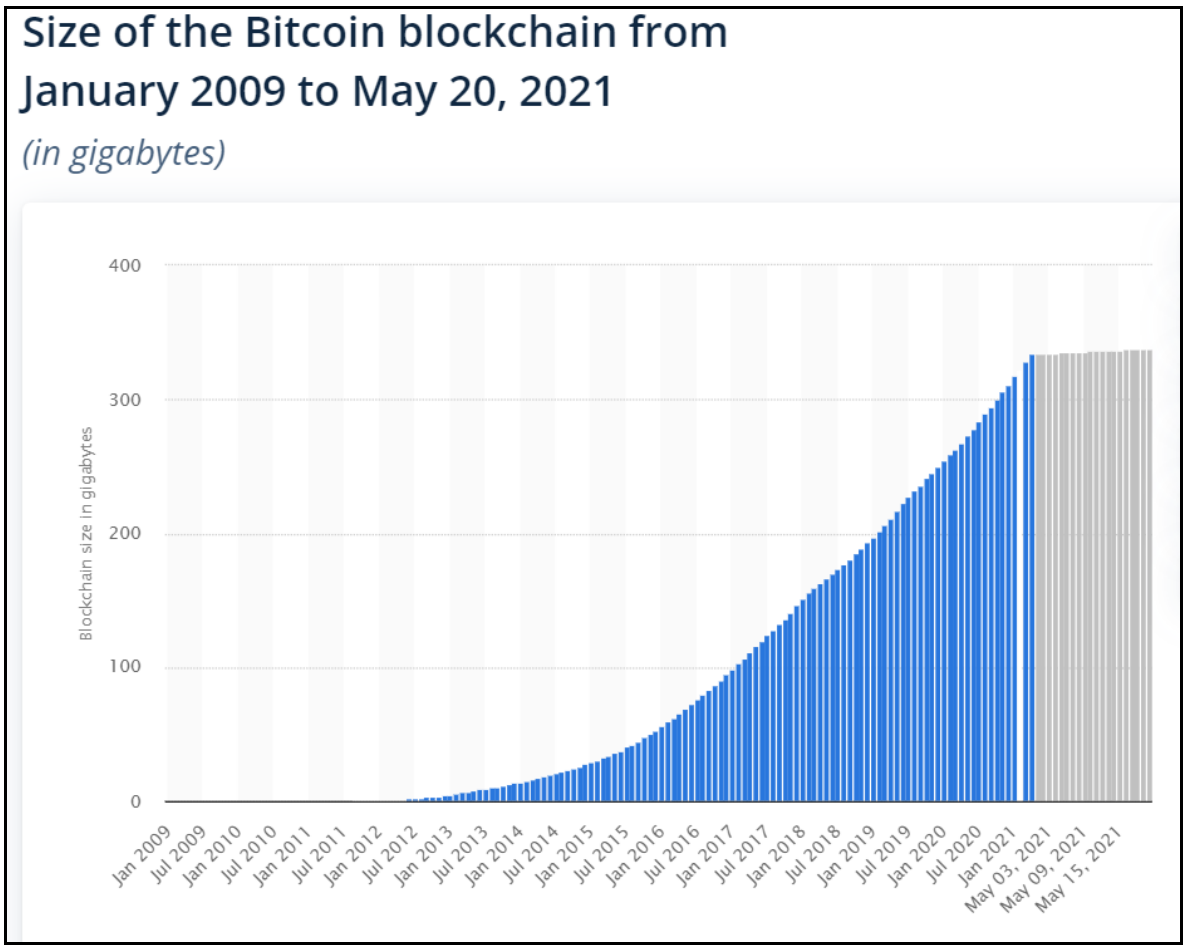
1. To study the concept of crypto currency
2. To analyses different types crypto currencies
3. To identify the growth and future prospects of crypto currency

RESEARCH METHODOLOGY

To answer the research question, we conducted a narrative literature review using different academic databases, such as Google Scholar, Scopus, Web of Science and Springer Link. Beginning with a focus on the origin and foundation of cryptocurrencies. Prior research that explores the operating fundamentals of blockchain, its functioning, and its applications have been referenced in order to differentiate between the technology underpinning Bitcoin (the blockchain protocol) and the cryptocurrency, bitcoin. Subsequently, we searched for articles, books, chapters, and conference papers that have in their titles, abstracts or keywords the words: "cryptocurrencies". Identified sources included in this review were screened for relevance on the basis of three questions: "Does the source have a minor or major focus on cryptocurrencies?", "Does the source present the opportunities of using cryptocurrencies in the modern world?", "What was the growth pattern of various cryptocurrencies?", "What is the future of cryptocurrency? " We considered these questions during the screening of sources' titles, abstracts, keywords, and research objectives and questions while looking for ideas or concepts pertaining to cryptocurrencies.

GROWTH OF CRYPTOCURRENCY - MILESTONES

There have been inconceivable highs and corresponding lows in the ten plus years since Bitcoin's genesis block, as development of block chain technology and awareness of its potential marches ever forward. As this decade draws to a close, it's an opportune moment to view ten years of blockchain development in retrospect. The technology has enlarged from a digital currency worth only pennies to an emerging pillar of global economic systems—and it's still just getting started. Growth of crypto currency in the global market is remarkable.

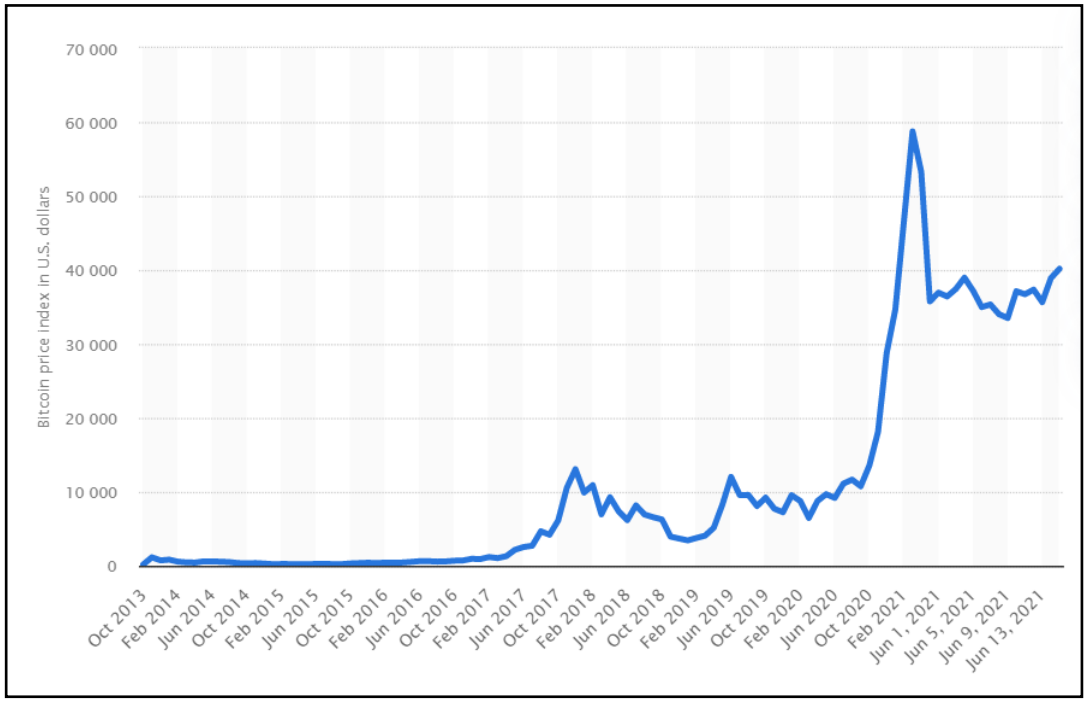


[Figure 1]
Source : https://www.statista.com/statistics/647523/worldwide-bitcoin-blockchain-size

In 2009 blockchain development was limited. The first ever transactions to take place on the Bitcoin network were undertaken in December of 2009. The blockchain ecosystem was limited to a few technologists and developers with only an idea of the phenomenon that they had already set in motion; the overall cryptocurrency market size is estimated to reach USD 1.40 billion by year 2024, at a CAGR of 6.18% during the forecasting period.

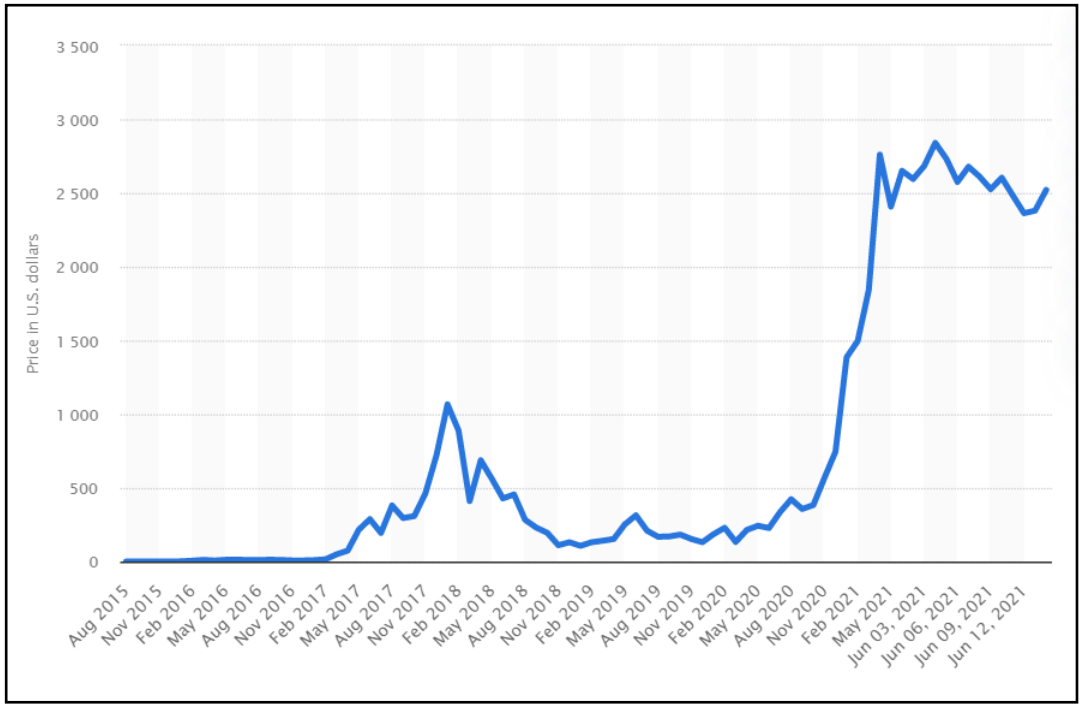
ANALYSIS FINDINGS

Cryptocurrency price rate from start till now. (In US dollars)



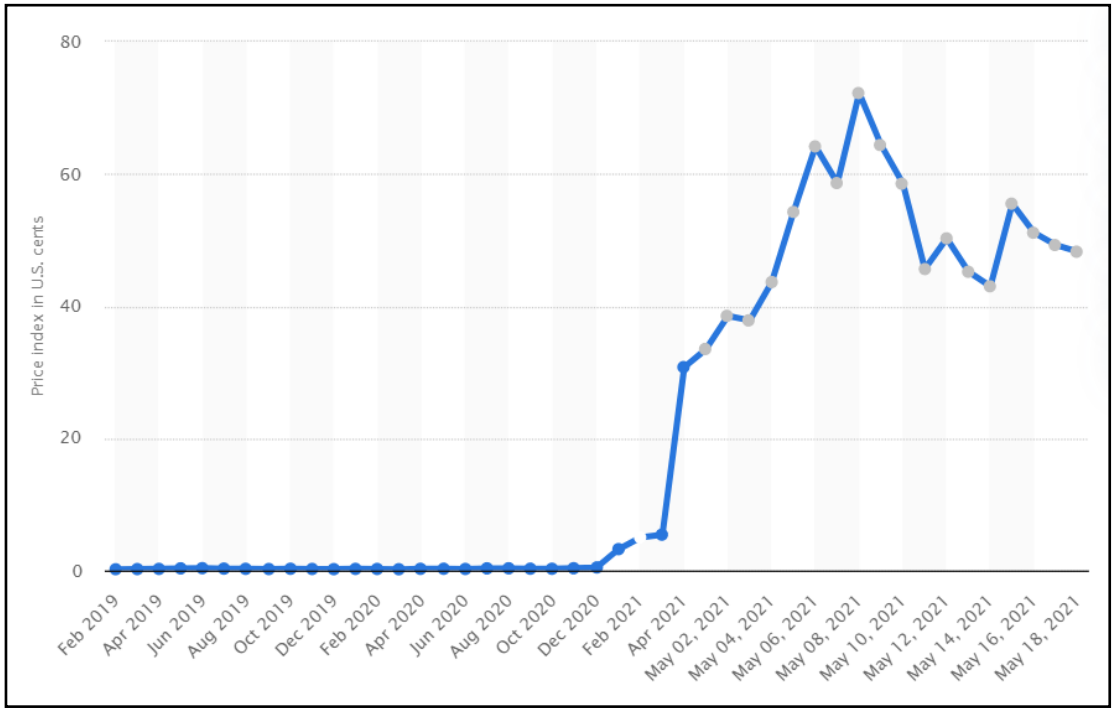
Bitcoin (price from October 2013 to June 15, 2021)

[Figure 2] Source : https://www.statista.com/statistics/326707/bitcoin-price-index



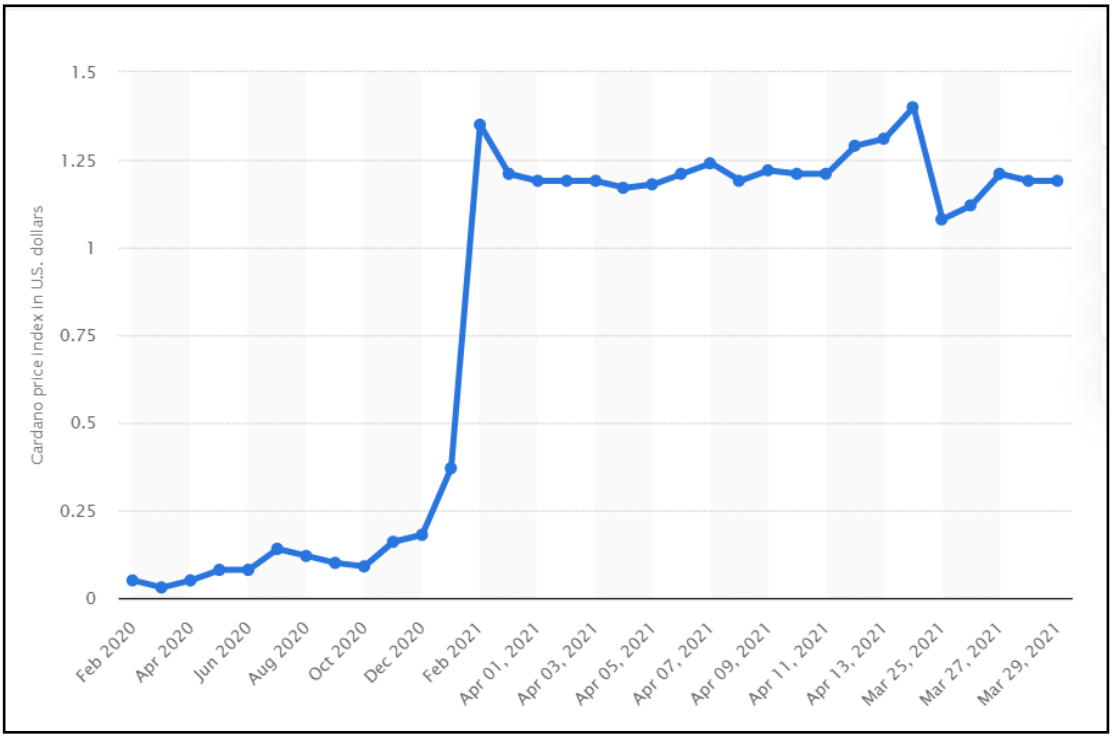
Ethereum (from August 2015 to June 14, 2021)

[Figure 3] Source : https://www.statista.com/statistics/806453/price-of-ethereum



Dogecoin (from February 2019 to May 18, 2021)

[Figure 4] Source : https://www.statista.com/statistics/1200235/dogecoin-price-index



Cardano (from February 2020 to April 14, 2021)

[Figure 5] Source : https://www.statista.com/statistics/1202312/cardano-price-index

Capitalists are pouring money into cryptocurrency-related companies. In the foremost quarter, 129 startups, focusing on the digital technology known as blockchain raised about $2.6 billion, according to CB Insights.

They attracted $2.3 billions in 341 deals, according to the data analysis company. That's more than in all of 2020 . The increase was powered by several large rounds for startups including crypto lender BlockFi , game-maker Dapper Labs and crypto wallet provider Blockchain.com.

FUTURE OF CRYPTOCURRENCY

There appears to be rising anxiety in cryptocurrency markets after the prices of Bitcoin (BTC) failed to ratain above the psychological $10,000 level in February2019. The disappointment came in less than three months ahead of the highly envisaged Bitcoin halving. Although Bitcoin had performed well compared to other major asset classes before massive

corrections happened in the month of March, recent macro events have long been looming in both the traditional and crypto markets. That extra layer of uncertainty seems to remain sound, at least into the near future. Although, looking back in time, investors may find the current market conditions in 2020 to look somewhat like 2012. Both are the Bitcoin halving years, and both have a global crisis as well as turbulent equities markets.

The Cryptocurrency market is expected to reach USD 39.7 billion by 2025, at a CAGR i.e. Compound annual growth rate of 67.3% during years 2020–2025.

In March 2021, the Bitcoin market cap reached an all-time high. It had grown by over 600 billion U.S. dollars when compared to the previous few months. The market capitalization has reached more than 1,000 billion U.S in May 2021. dollars. Market capitalization is calculated by multiplying the gross number of Bitcoins in circulation by the Bitcoin price.

- Based on type, the private blockchain type segment to be the largest contributor to the blockchain market growth during the forecast period
- Based on organization size, the SMEs segment to grow at a higher rate in the blockchain market during the forecast period
- Based on application area, the financial and banking services segment to hold the largest market size in the blockchain market during the forecast period

[Figure 6] Source : www.marketsandmarkets.com

The disclosure of Bitcoin has sparked a debate about its future and that of other cryptocurrencies. Despite Bitcoin's recent circumstances, its success since its 2009 launch has inspired the creation of alternative cryptocurrencies such as Etherium, Litecoin, and Ripple. A cryptocurrency that possibly to become a part of the mainstream financial system would have to satisfy very divergent criteria. While that possibility looks distant, there is little doubt that Bitcoin's success or failure in dealing with the challenges it faces may determine the future of other cryptocurrencies in the years ahead.

LIMITATION

Even though cryptocurrencies are secure there are several drawbacks that have led many (such as famed investor Warrant Buffet) to refer to them as the next "bubble". Hence it is important to identify and to understand the drawbacks and obstacles that may refrain mainstream adoption of these technologies.

- Can be used for illegal transactions.
- Financial losses can occur due to data losses.
- Decentralized but yet operated by some organization.
- Some coins are not available in other fiat currencies.

- Unfavorable effects of mining on the environment.
- vulnerable to hacks.
- No cancellation or refund policy.

CONCLUSION

Cryptocurrencies such as Bitcoin still have numerous hurdles to overcome before they could totally replace current currency systems. The most prompt is the simple opposition from existing financial institutions, which wield great power and have incentives to discourage the proliferation of cryptocurrencies. Other corporations, even when they are pliant to the idea of cryptocurrencies, do not currently consider them stable enough to keep as assets for long periods of time.

Cryptocurrency can bring more positive changes to the e-Business and e-Payment sector. However cryptocurrency doesn't get that much of trust yet. Many concerns, issues and challenges are existing in many cryptocurrency platforms. Until the cryptocurrency is being well regulated and controlled, users need to take extra precautions of using such virtual money. So the lack of legislation is considered as the main concern in cryptocurrency systems.

Many experts see blockchain technology as having a serious potential for uses like online voting and crowdfunding, and major financial institutions such as JPMorgan Chase (JPM) see the potential to lower transaction price by streamlining payment processing.

REFERENCES

[1] Abdi, B. (2014). Is Bitcoin here to stay?-A case study on cryptocurrency, Bitcoin

[2] Berentsen, A., & Schar, F. (2018). A Short Introduction to the World of Cryptocurrencies. Federal Reserve Bank of St. Louis Review

[3] Abramaowicz, M. (2016). Cryptocurrency-based law

[4] Global Cryptocurrency Benchmarking Study By Dr Garrick Hileman & Michel Rauchs (2017)

[5] Growth and Future Prospectus of Crypto Currency in Global Market Study By Greeshma Francis. (2020)

[6] The Economic Times (NewsPaper)

[7] Cryptocurrencies in Modern Finance: A Literature Review By Karim Rejeb, John G. Keogh, Abderahman Rejeb.

[8] https://www.investopedia.com/terms/c/cryptocurrency.asp

[9] https://coinmarketcap.com

[10] https://www.coindesk.com/price/bitcoin

[11] https://socialimps.dbogatov.org

[12] https://link.springer.com/article/10.1007/s40812-019-00138-6#Abs1

[13] https://www.investopedia.com › Investing › Cryptocurrency

[14] https://towardsdatascience.com

[15] www.geeksforgeeks.org