

BITCOIN- A FAD OR THE CURRENCY OF THE FUTURE?

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ABSTRACT

With the enormous increase in the usage of internet and transactions through digital mode, creation of a digital currency was inevitable. One of the most controversial new innovations of money are Cryptocurrencies, a form of internet currency often called cyber currency. The most important feature of cryptocurrency is that it is not issued by a central bank, nor is it protected by regulations, making it impervious to government interference. Presently, the most widely known cryptocurrency is Bitcoin, which was launched in 2009. Though the Bitcoin has the potential to be a significant player in the digital commerce market, potential users and investors should also be aware of the many risks inherent in using this technology. In view of the growing interest in cryptocurrencies all over the world, the present paper focusses on the idea behind the launch of Bitcoin and analyses the viability of Bitcoin as the currency of the future by conducting a SWOC analysis of the same. While doing so, this paper also throws light on the status of Bitcoin in India at present, both in terms of its usage and also the stand taken by the Reserve Bank of India on Bitcoin transactions.

KEYWORDS: Electronic Money, Cryptocurrency, Blockchain, Mining, Cyber Security

INTRODUCTION

Money, in some form, has been part of human history for at least the last 3,000 years. Right from the beginning of humanity, when barter system was used as a mode of payment, to the first coins minted in modern day Turkey in the 6th century B.C. and the first paper currency used in China in the 7th century A.D., the evolution of money has been an interesting journey. The turn of the 20th century witnessed the first version of electronic money and then, another path-breaking form of paperless currency i.e. mobile payments. But what has made the world sit up and take notice in recent times is a revolutionary development in the evolution of money – cryptocurrency.

A cryptocurrency, also called as virtual or digital currency, is a medium of exchange like normal currencies such as USD, but designed for the purpose of exchanging digital information through a process made possible by cryptography. Unlike usual forms of currency, it is in virtual form and may be used to transact in physical as well as online transactions. And unlike centralized banking, like the Federal Reserve System, where governments control the value of a currency like USD through the process of printing fiat money, government has no control over cryptocurrencies as they are fully decentralized, thus rendering them immune to government interference or manipulation. The first cryptocurrency to capture the public imagination was Bitcoin, which was launched in 2009 by an individual or group of people known under the pseudonym Satoshi Nakamoto. As of November 3, 2016, there are 15.9 million bitcoins in circulation with a market cap of 11.35 billion dollars. There are other cryptocurrencies in circulation too, like Litecoin, Peercoin, Primecoin and Namecoin, but none as popular as Bitcoin today.