Cryptocurrencies:Amodernmythorthecurrencyoffuture

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Abstract:

This article investigates the evolution of cryptos and if they could serve as a modern myth or futures money. In recent years, digital currencies such as bitcoin and Ethereum have drawn a lot of attention, with some speculators predicting they would eventually replace fiat currencies. Others counter that cryptocurrencies are merely speculative investments with no real intrinsic value. This article explores the mechanics and history of digital currencies and assesses their potential as a brand-new form of money. It examines cryptocurrency's decentralisation, security, and volatility, as well as its advantages and disadvantages when used for trade and investment. The effects of virtual currencies on the world financial system are also examined, including the risk of disruption and any regulatory issues. Ultimately, the goal of this paper is to present a fair viewpoint on the prospects for cryptos and how they might change the way we view money. It is obvious that virtual currencies have so far had a considerable impact on the world of finance and may do so in the years to come, despite the fact that there are still a lot of uncertainties and hazards attached to them.

Key words: Cryptocurrency, Bitcoin, Decentralization, Virtual Currency, Network-based system, Digitalcurrencies, DigitalMoney.

Introduction:

Crypto[3] is a type of digital or online currency that must operate independently and utilizes cryptographicmechanismsforprotection.It'sanetwork-basedsystemthatisnotgovernedbyanyspecificbodyofpower,beitgovernmentaloreconomic.Themostprominentvirtual currency seems to be Bitcoin. The exchangesare tracked and verified using blockchain-based. The Bitcoin Network, LTC, XRP, and ETH were a few otherwell-knowncurrencies[4].Inadditiontobeingswappedonnumerousplatforms,cryptosmaybeemployedtomake purchases for both goods and services. They can, however, quickly change in value due to their reputationas being unpredictable. Despite the fact that some regard crypto as a novel and exciting incentive to invest,othersarestill dubiousabout itslong-termstabilityandprofitability.

Featuresofcryptocurrencies:

Decentralization: Cryptosarefragmented,whichindicatesthatarenotunderthejurisdictionofasingularbody,suchasabankor thegovernment.However,aglobalchaininvolvingcomputersandserverswouldberesponsiblefortheirupkeepandverification.

Anonymousorfictitious: Usersdonotneedtoidentifythemselveswhenusing cryptocurrencies becausethereisnorequirementfora centralauthority. Whenatransactionrequestismade, thedecentralizednetworkwill review, validate, as well as register each trade on that network as necessary. A cryptographic signature anddataencryptionschemehavebeenutilizedbydigitalcurrencieslikeBitcoin toauthenticatetheseoperations.Inaddition, to transact on the decentralized system, users can construct anonymous digital identities and walletswhilestillbeing abletosafelyauthenticatetheirtransactions.

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[3]Nakamoto, S. (2008). Bitcoin: A Peer-to-Peer Electronic Cash System. Retrieved fromhttps://bitcoin.org/bitcoin.pdf
[4]Buterin,V.(2014).ANext-GenerationSmartContractandDecentralizedApplicationPlatform.Retrievedfromhttps://github.com/ethereum/wiki/wiki/White-Paper

Inevitableandinflexible: Transactionsperformedusingcryptocurrenciesarepermanent.Duetotheirreparableandunchangeableaspectofcryptos,onlytheholderoftherelevantprivatekeyisabletomovetheirdigitalcontent, and once a trade has been stored on a block chain, it cannot be altered. Modifying the operation is notimpossible,butsecurecryptographymakesitexceedinglydifficultbecauseitrequireschangingthemajorityof multiple nodes. All operations are clearly documented in the block chain and accessible by everyone topreventsuspicioustrades (thatcan'tbeundone).

Scarcity and Restricted Supply[5]: The supply of fiat money, like as dollars as well as Euros, is limitless sincefinancial institutions are free to print an endless number of them. As terms of various economic plans, centralbanks frequently alter the values of the currencies of the nations. The majority of nations regularly manipulatetheir economy in order to cause growth in the economy over time. Fiat money tends to depreciate inappreciation over time because of rising prices. Holders of fiat money could therefore be forced to pay for thevaluedeclineas wellasdealwiththerisk ofcurrencymanipulation.Contrarily,themajorityofdigital currencieshaveafiniteandpredetermined quantityofthecryptocurrencythatisbuiltintothealgorithmthatunderliesthematthetimeoftheircreation.

For instance,there'samaximum of2.1croresetcavailable,and whenthissumisachieved, nomoremay becreatedbymining.Toavoidcurrencymanipulationandvalueerosionovertime, cryptocurrenciespurposefullycreatescarcity.

THENOTIFICATIONOFTHEMOVEBYTHERESERVEBANKOFINDIA

A note headed "Segregation of Trading[6] in Digital Money" was published by the Reserve BankofIndiaonApril6,2018,anditforbidsbanks,includingcommerce,cooperate,settlement,banksfinancesmallerandnon-banking financial institutions, from offering services to almost any person or organization usingcryptocurrencies. It consists, in essence, of a statement to all organizations subject to Bank regulation. Theyincludekeepinganaccountuptodate,registering,exchanging,clearing,settling,andofferingdebtssecuredbydigitaltokens.Entitiesthatalreadydealinbitcoinhaveathree-monthwindowfromthemomentthenoticeispublishedinwhichtostopdoingso.

WHATMADETHEGOVERNMENTBAN THE VIRTUAL CURRENCY?

Duetothenature ofuncontrolledcryptosaswellaspersistentlydisparagingstatementsmadebygovernmentofficials,RBIhasproduced publicnoticesandpressreleasesthatservedasawarningtothepublic.TheRBIstated in a press release on April 5, 2018, that "Virtual Currency (VC), also with a variety of so-called digitalcurrencies,fearsof risingconsumersecurity,marketintegrity,andbankfraud,amongothers[7]."

TheRBIalertsconsumerstopotential hazardswhiledealingwithvirtualmoneyinanews statementdatedDecember24,2017.Thesedangersinclude:

- Losses brought on by malware assaults, compromised login credentials, forgottenpasswords,etc.Due to the lack of centralized authority over the institution, an e- wallet loss might lead to theinevitable lossof anyvirtualmoneythat was stored there.
- Theeffectofspeculationsisindeedthepricefluctuationofdigitalmoney,whichhasthepotentialtoresult in

[5]Kshetri,N.(2018).Blockchain'srolesinmeetingkeysupply chainmanagementobjectives.InternationalJournalofInformationManagement,39, 80-89. doi:10.1016/j.ijinfomgt.2017.12.003

[6]ReserveBankofIndia.(2018).SegregationofTradinginDigitalTokens.Retrievedfromhttps://www.rbi.org.in/scripts/NotificationUser.aspx?Id=11243&Mode=0

[7]Nair, N. (2018). Is RBI's digital currency option a solution to its cryptocurrency ban? The Economic Times.Retrieved from https://economictimes.indiatimes.com/tech/technology/will-rbis-digital-currency-option-be-a-solution-to-its-cryptocurrency-ban/articleshow/65651116.cms

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possible consumer loss due to the value of the virtual currency. For instance, in the past,resentment over cryptocurrencies was expressed in 2014 when the cost of Bitcoin, the most well-knowncurrency,roseby$1,000.Therisecametoahaltshortlyafterthat,butthenoise persistedtillthepriceofBitcoincrossedthe $10,000markin December2017. Retailinvestorsbegantogatherindigitalmoney exchanges in this nation without even being mindful of the dangers,which caused the volume toincreaseinDecember2017andJanuary2018.

- Becausevirtualcurrenciescannotbetrackedanditischallengingtoidentifywhether suchatransactionistaxable,theirusecanresultinfinancialfraud,taxavoidance,andfraud.Additionally,RBInotedmediareportsthatsuggesteddealing insuchcryptomoneycouldleadtocriminalactivity.Itcanbeused tobuyand selldrugsandfirearms.

- Asanestablishedexchangeplatform,dealinginvirtualcurrencycarriesbothlegal andfinancialdangersforinvestors,someofwhichareunclearduetotheplatforms' unclear legalstanding.Notwithstandingpricevolatility,thereisahugerisktotradersbecauseofthegrowingnumberof an un-registeredtradecryptointhisnation.

CONSEQUENCESOFTHE AFORE-MENTIONED CIRCULAR

The outcome of this choice will result in a doubled RBI. One would be that peoplewho boughtandsolddigitalcurrenciesasaninvestmentwiththepurposeofgeneratinginstantmoneynowmustcease.Themainissueis thatthe majorityofIndiancurrencyexchanges,suchasZebpayand Unocoin,requireuserstoconduct transactionsviatheirbankaccounts.Investorswillnolongerbeable to deal with this digital money using your bank account as a result of the recent change. Many exchangesmaystillconductcashtransactionsin theinterim,butthesereunlawful. Theexchangeofcryptocurrencies should now be closedasafurtheroutcomeofthis action. The time limit forclosingdownoperationshasbeenextendedforentitiesunderRBIregulation.

The circle's effects include that up to this point, numerous applications opposing the RBI notice haveindeed been lodged in the High Court as well as in the Supreme Court. the first to submit a KalaVirtual Eco-system case to the High Court of Delhi. After that, the Supreme Court heard a challengetothecircularfromtheDigitalandBlockchainFoundationofIndia[8], acryptocurrencyexchangeconsortiumthathadbeenintegratedwithintheInternetandMobileAssociationofIndia.TheApexCourtreceivedapetitionfromanumberofexchanges,includingCoindelta,Koinex,Throughbit,and Coin DCX. On July 3, 2018, the Supreme Court tookthismatterunderconsiderationafterrejectingallpetitionsandmakingitsdecision.

Theomission of the Reserve Bank of India (RBI) to foresee the issue:

The RBI is merely acting like an ostrich that thinks that keeping its head in the sand will protect itfrom trouble. RBI thinks that by forbidding cryptocurrencies, nobody will deal with them and all the problems will disappear. Is the RBI naive in this way? Does it not realize that only legitimate userswill beimpacted bythis?Does RBIthinkthattradersontheVCwillstop?

ItmerelysuggeststhatbusinessinthequicklyexpandingVC willmoveelsewhere.OutsideofIndia,peoplewillpurchaseandsellontheexchange.Therearemanywaysforpeopletosendmoney(eventhrough LRS) outside of Indiathat can then be used to purchase VC in the future. People may sell themoneyandconcealtheirrevenueinordertoavoiddisclosingittothetaxauthorities,whichcanresultinabuse.Howdidthetaxauthoritiesfindoutthespecificsoftherecent cryptocurrencyexchangeIndiatransactionfortaxpurposes?Whenrepeatedlyquestioned,policeandotherenforcementagencieslookingintoquestionabletransactionsweregiveninformationaboutthetransfersinIndia.Italso aids in crime-solving.

[8]Digital and Blockchain Foundation of India. (2018). Supreme Court of India. Retrieved fromhttps://www.newindianexpress.com/business/2018/jul/20/over-300-plead-in-supreme-court-in-support-of- cryptocurrencies-1846181.html

Now, how will they obtain the data? Additionally, since Indian VC firms arestillpermittedtooperateusingcapital,somemaywindupamplifyingthehazards mentionedbefore.

ThemajorityoftheIndianlabourmarketworkstoensurethatthedangersaresuitablyminimized,soenablingtradeandcommerceincludingcryptocurrencies.Currently,severalcryptocurrencyexchangesinIndiarunthoroughKYCuserchecks andavoiddealingincashtomaintaintransactiontraceability. In actuality, RBI did not recognize the effort put forth by the opening exchanges. In anyevent,takingthisactionwillsimplyimpedetheexchangeofthewilltoactlegallyandtransparently.Inany scenario,rogueusers willcarryonusingcash oranotherclandestinemethod.

Moreover,India'svirtualcurrencysector referredtoAndreas Antonopoulos,acryptoexpert,as"FreeMoney"andtheRBIfailedtoseetheupsidetothistechnology.Blockchainisenabledbycrypto,whichmakesitchallengingforVCstoseparateblockchainsfromcryptocurrency.AfterstepRBI,internationalinvestorsandbusinesspeoplewillbeunsureaboutwhetherIndiaisthebestcountryforinnovation.AlthoughJapanhasadoptedadifferentpositionfromIndiawiththehelpofventurecapitalists, several of the world's most industrialized nations, like the USA, have done so because theysaw India as having significant potential for innovation in manners. This action by India has put a stopto innovationinthisfield.

Moreover, thisactionnot onlyrunsagainsttotheobjectivesofenhancingIndia'sdigitalpaymentsystems,butitalsoinfringesuponthefundamentalfreedomsofbusinessesoperatingintheValleytoengageintrade,business,andemployment

CONCLUSION

BanksinIndiastoppedofferingbankingservicestotheorganizationaftertheApexCourt,onJuly6,2018, refused to offer any support to commercial entities engaged in cryptocurrency trading. Whilemanyorganizationshaveceasedtheiroperations,somebusinessesand investorshavechosentoopposetheRBInotificationby lodging petitions with the High Court and the Supreme Court on the groundsthat itis arbitrary and illegal. Also, some have requested the Supreme Court to rule on the legitimacy ofcryptos.WhereastheIndianregulatorystructurefordigitalcurrencies isstillunclear,several businessesexperiencedsignificantlosses asaresultofthe RBIcircular's passage.Themoveby theRBI is nonetheless consistent with the government's stance on digital currencies, which is that they arenotlegalcash,accordingtoanewsreleasesentoutbytheministeroffinanceonDecember29,2017.ThegovernmentpromotesIndianfirmssimplytoensurethatIndia'stragedybecomesanotheradvantagebyeliminatinganychanceofeverlegalizingtheexchangeconsistingofcryptocurrencies.

Theextraordinarytechnologicalimprovementsofthepasttenyearsincludeetcand othercurrency,itistrue.Blockchaindecentralizationsecured interactions through trademarkuse.However,theusageofdigitalcurrenciesisnotallowed,whichcreatesdifficultiesinorganizingthesetrades.The governmentshould, however, try to strike a balance, in my opinion. The government and RBI mustresearchandcomprehendhowtheVCfunctions.Cryptocurrencieswon'tdisappear,andRBIshouldunderstand that. Notwithstanding RBI's warnings about the hazards involved, it is evident that therearen'tenoughRBIcontrolsandgovernment-sidepolicies[9]inplace.Moreover,RBIfellshortofdefendingsuchasignificant movewithcompellingarguments.The governmentortheRBImustestablishclear legalframeworksorrecommendationsthat willaidinloweringtheriskshighlighted bythe RBI and refrain from taking actions like the hasty withdrawal of banking privileges. The RBIobviously doesnotgrasp howvirtualcurrenciesaremoreidentifiablethanfinancialtransaction.

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[9]ReserveBankofIndia.(2017).Statement onDevelopmentalandRegulatoryPolicies.Retrievedfromhttps://www.rbi.org.in/Scripts/BS_PressReleaseDisplay.aspx?prid=42051

It is currently unable to predict the result due to the level of uncertainty that exists all around. A handof amity is extended to cryptocurrency users by the deputy governor of the RBI, BP Kanungo, whosaid that the organization will think about adopting digital fiat currency right now. Those who wishthat virtual currencies might soon replace conventional ones may find this helpful. Despite theuncertain future ofcryptocurrency'slegitimateuseinIndia, whichiscurrentlythecase, thetechnologystillhasalongwaytogointhisdigitalage.