Bitcoin- Usage and Its Impact on Financial Markets

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Abstract
Bitcoin is an overall cryptographic money and computerized installment framework called the primary decentralized advanced cash, as the framework works without a focal store or single director. It was imagined by an obscure individual or gathering of individuals under the name Satoshi Nakamoto and discharged as open-source programming in 2009. The framework is distributed, and exchanges occur between clients straightforwardly, without a mediator. These exchanges are confirmed by organize hubs and recorded in an open dispersed record called a square chain. Bitcoins are made as a reward for a procedure known as mining. They can be traded for different monetary standards, items, and administrations. As of February 2015, more than 100,000 dealers and sellers acknowledged bitcoin as installment, utilizing the administrations of bitcoin installment specialist co-ops, for example, BitPay or Coinbase, which change over bitcoin to the neighborhood money, which is paid to the vendor's financial balance, less a charge. Bitcoin can likewise be held as a speculation. As per explore created by Cambridge University in 2017, there are 2.9 to 5.8 million one of a kind clients utilizing a digital currency wallet, a large portion of them utilizing bitcoin. The utilization of bitcoin by culprits has pulled in the consideration of money related controllers, authoritative bodies, law requirement, and the media. The examination paper communicates the utilization and effect of bitcoin in the money related divisions.

Keywords: currency, Bitcoin, block chain

Introduction
Bitcoin is a relatively new form of currency that is just beginning to hit the mainstream, but many people still don't understand why they should make the effort to use it. Bitcoin is a new virtual currency that is causing much controversy in the financial realm. According to Bitcoin.org, "Bitcoin is an innovative payment network and a new kind of money... Bitcoin uses peer-to-peer technology to operate with no central authority or banks." While some see great value and possibilities in Bitcoin, others are very much opposed to this unprecedented currency. We wanted to hear what the financial professionals had to say, so we asked them to weigh in regarding their thoughts and opinions on Bitcoin.
HERE ARE FEW USAGES OF BITCOIN

It’s fast
When you pay a cheque from another bank into your bank, the bank will often hold that money for several days, because it can’t trust that the funds are really available. Similarly, international wire transfers can take a relatively long time. Bitcoin transactions, however, are generally far faster.
Transactions can be instantaneous if they are “zero-confirmation” transactions, meaning that the merchant takes on the risk of accepting a transaction that hasn’t yet been confirmed by the bitcoin block chain. Or, they can take around 10 minutes if a merchant requires the transaction to be confirmed. That is far faster than any inter-bank transfer.

It’s cheap
What’s that you say? Your credit card transactions are instantaneous too? Well, that’s true. But your merchant (and possibly you) pay for that privilege. Some merchants will charge a fee for debit card transactions too, as they have to pay a ‘swipe fee’ for fulfilling them. Bitcoin transaction fees are minimal, or in some cases free.

Central governments can’t take it away
Remember what happened in Cyprus in March 2013 The Central Bank wanted to take back uninsured deposits larger than $100,000 to help recapitalize itself, causing huge unrest in the local population. It originally wanted to take a percentage of deposits below that figure, eating directly into family savings. That can’t happen with bitcoin. Because the currency is decentralized, you own it. No central authority has control, and so a bank can’t take it away from you. For those who find their trust in the traditional banking system unravelling, that’s a big benefit.

There are no chargebacks
Once bit coins have been sent, they’re gone. A person who has sent bitcoins cannot try to retrieve them without the recipient’s consent. This makes it difficult to commit the kind of fraud that we often see with credit cards, in which people make a purchase and then contact the credit card company to make a chargeback, effectively reversing the transaction.

People can’t steal your payment information from merchants
This is a big one. Most online purchases today are made via credit cards, but in the 1920s and ’30s, when the first precursors to credit cards appeared, the Internet hadn’t yet been conceived. Credit cards were never supposed to be used online and are insecure. Online forms require you to enter all your secret information (the credit card number, expiry date, and CSV number) into a web form. It’s hard to think
of a less secure way to do online business. This is why credit card numbers keep being stolen.

Bitcoin transactions, however, don’t require you to give up any secret information. Instead, they use two keys: a public key, and a private one. Anyone can see the public key (which is actually your bitcoin address), but your private key is secret. When you send a bitcoin, you ‘sign’ the transaction by combining your public and private keys together, and applying a mathematical function to them. This creates a certificate that proves the transaction came from you. As long as you don’t do anything silly like publishing your private key for everyone to see, you’re safe.

**It isn’t inflationary**

The problem with regular fiat currency is that governments can print as much of it as they like, and they frequently do. If there are not enough US dollars to pay off the national debt, then the Federal Reserve can simply print more. If the economy is sputtering, then the government can take newly created money and inject it into the economy, via a much-publicised process known as quantitative easing. This causes the value of a currency to decrease.

If you suddenly double the number of dollars in circulation, then that means there are two dollars where before there was only one. Someone who had been selling a chocolate bar for a dollar will have to double the price to make it worth the same as it was before, because a dollar suddenly has only half its value. This is called inflation, and it causes the price of goods and services to increase. Inflation can be difficult to control, and can decrease people’s buying power. Bitcoin was designed to have a maximum number of coins. Only 21 million will ever be created under the original specification. This means that after that, the number of bitcoins won’t grow, so inflation won’t be a problem. In fact, deflation – where the price of goods and services falls – is more likely in the bitcoin world.

**It’s as private as you want it to be**

Sometimes, we don’t want people knowing what we have purchased. Bitcoin is a relatively private currency. On the one hand, it is transparent – thanks to the blockchain, everyone knows how much a particular bitcoin address holds in transactions. They know where those transactions came from, and where they’re sent. On the other hand, unlike conventional bank accounts, no one knows who holds a particular bitcoin address. It’s like having a clear plastic wallet with no visible owner. Everyone can look inside it, but no one knows whose it is. However, it’s worth pointing out that people who use bitcoin unwisely (such as always using the same bitcoin address, or combining coins
from multiple addresses into a single address) risk making it easier to identify them online.

**You don’t need to trust anyone else**

In a conventional banking system, you have to trust people to handle your money properly along the way. You have to trust the bank, for example. You might have to trust a third-party payment processor. You’ll often have to trust the merchant too. These organizations demand important, sensitive pieces of information from you. Because bitcoin is entirely decentralized, you need trust no one when using it. When you send a transaction, it is digitally signed, and secure. An unknown miner will verify it, and then the transaction is completed. The merchant need not even know who you are, unless you’ve arranged to tell them.

**You own it**

There is no other electronic cash system in which your account isn't owned by someone else. Take PayPal, for example: if the company decides for some reason that your account has been misused, it has the power to freeze all of the assets held in the account, without consulting you. It is then up to you to jump through whatever hoops are necessary to get it cleared, so that you can access your funds. With bitcoin, you own the private key and the corresponding public key that makes up a bitcoin address. No one can take that away from you (unless you lose it yourself, or host it with a web-based wallet service that loses it for you).

**You can create your own money**

In spite of the amazing advances in home office colour printing technology, most national governments take a fairly dim view of you producing your own money. With bitcoin, however, it is encouraged. You can certainly buy bitcoins on the open market, but you can also **mine your own** if you have enough computing power. After covering your initial investment in equipment and electricity, mining bitcoins is simply a case of leaving the machine switched on, and the software running. And who wouldn't like their computer to earn them money while they sleep?

**5 Ways BitCoin is Impacting Banking, Finance and the Economies:**

1. **Power to the Dark Web:**
   - Dark web is the section of the web that is not accessible through the search engine. What we are given access to is the surface web which is not even half of the existing internet. Dark web is accessible only through special software like Tor Browser which enables anonymous searching of the internet.
   - Dark web is the place where you can find assassins, weapons and a lot more illegal stuff. By using crypto currencies like BitCoins people can make illegal
transactions without giving any information about themselves. Crypto currencies like Bitcoins are a way to empower such transactions across the globe which will ultimately result in increased cyber crime.

2. Speculations:
As on 14th January 2015, Bitcoin was valued at $170 and as on 24th July 2017, it values at $2772. There have been many ups and downs in the value of Bitcoins and this scenario is likely to continue. Due to the extreme highs and lows BitCoins present a massive possibility for speculation. Just like trading in shares, trading in Bitcoins is massive and seeing the rise in traction around cryptocurrencies it is likely to grow further.

Another reason accounting to this is the increasing cost of investing in the stock markets. A share in Apple or Facebook can cost around $150 while Bitcoins can be bought in fractions at a price as low as one-tenth of a cent. This makes it an easy target for speculative gains.

3. Politicization of Money:
Earlier all the monetary transactions were enabled through central banks (directly or indirectly). Now, with the evolution of Bitcoins, the scenario has changed. The power that was vested in the governments and central banks is shifting to the masses. This revolutionary change in transaction handling has the power to change the economic structure. To bring security and enable scrutiny, central banks and financial institutions maintain a record of all the transactions undertaken by the people. Now with digital currencies, this economic power can be challenged by people. This has led to the creation of a new autonomous body which can facilitate transactions. Ultimately if adopted on a large scale, Bitcoins can lead to the politicization of money.

4. Apprehension among the Central Banks:
There have been implications that Bitcoins can be used to secretly launder money outside the country. Central banks across the world have been wary of Bitcoins as an uncontrollable and unpredictable form of currency. Cryptocurrencies are leading to loopholes in the current bank’s data about the money transactions leading to inability to track economic activities. Crypto and Cyberspace has emerged as a power in itself thus bringing a check on the activities of the so powerful governments.

5. The Emergence of New Markets:
Cryptocurrencies have led to the emergence of new markets. Currencies like Bitcoin and Ethereum have opened gates for a new kind of market which unlike present money market is controlled by no one. Cyberspace will rise up as the managing body that will handle and maintain such disruptive markets. The near zero transaction cost (along with other
characteristics) has made these currencies even superior to the traditional money we are accustomed to using. What can be surely stated is that it is just the beginning and the number of possibilities is endless.

LITERATURE REVIEW

The Bitcoin protocol has immense intrinsic value as a self-regulating frictionless payment network affordable to almost anyone. Here is a technology that allows anyone to send any amount of money to anyone else in the world at virtually no cost with nothing more than an Internet connection or smart phone. Bitcoin, like the Internet, is one of those innovations that can break down barriers: information barriers in the case of the Internet, and financial barriers with Bitcoin.” Dan Roseman

Think of the implications of a currency that has no borders, bars no one from entry, and is not controlled by a government. At a time when we're seeing just how much power is abused... I think the world is ready for a currency that is decentralized and controlled by the people. But yes, Bitcoin still has a journey ahead of it. It needs greater adoption, and more simplicity to appeal to the general public. But then again, the general public should be more informed anyway. Monetary decisions affect them more than the people that make the decisions.” Robert Lons, Co-founder of BitcoinWebHosting.net

“At this point, Bitcoin is neither a legitimate form of currency nor an investment. Until it gains widespread acceptance and price stability, it will never be a mainstream method of payment. And from an investing perspective, Bitcoin's uncertain future and the lack of any meaningful fundamental metrics make it a speculation at best, and gambling at worst.” Anton Ivanov, Founder of DreamsCashTrue.com

Bitcoin is a scam that needlessly hurts the environment: 1) Round trip trades inflate prices and make it look more liquid a market, according to one of the founders of RSA. 2) The European Central Bank says it's a risky system for its users and could easily become illiquid. 3) The Electronic Frontier Foundation won't accept Bitcoin for all the legal concerns associated with it from the stamp act, to money laundering, to tax evasion. 4) The system is prone to theft given the file sharing nature and this has occurred several times. 5) Computers processing Bitcoin transactions use over $100,000 worth of electricity everyday.” John Paul Engel, Founder of Project Be the Change

“My thoughts on Bitcoin and the other currencies is that they ought to be legal unless there is fraud involved. The government should not get involved in regulating private money if there is no fraud. I do not take a position on Bitcoin
and other proposed currencies in a technical fashion, but I understand the political ramifications of them, and I think that government should stay out of them and they should be perfectly legal, even though I don't endorse (technically) one over another.” Ron Paul, American Politician

Conclusion

Since the foundation of Bitcoin 2009, its uses as a cryptographic money have been wrangled about broadly as it has turned into an exceedingly dubious subject. The civil arguments are animated by the way that some contend it can possibly disturb the monetary framework as we probably am aware it. On a positive note, the insignificant charges and absence of directions makes it considerably simpler and less expensive to send cash globally. This at last makes capital accessible in the spots that need it the most and were already unfit to access capital streams. In any case, when taking a gander at the negatives, the execution of this cash additionally takes into account the assistance of criminal action, and it detracts from the capacity of the legislature to create income through tax assessment. This exchange off features the significance of money saving advantage examination while assessing the issue. Moreover, it is basic to take note of that any adjustments made to the current framework could drastically change the idea of the money and take out a portion of the best advantages it was intended to hold.

References:


