
Bitcoin or Gold: Which Should You Buy

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Abstract

Bitcoin is digital money, type of instalment that utilizes cryptography to deal with its creation and administration, as opposed to relying upon focal experts. According to Nakamoto, "Bitcoin is a software-based online payment system and introduced as open-source software in 2009". Among all the precious metals, gold is the most prevailing as an investment. Investors generally purchase gold as a way of dividing risk, especially from the use of futures contracts and derivatives. The gold market is subject to the speculation and motility as are other markets. Weigh to other precious metals used for investment, gold has been the most effective safe space and hedging properties among a number of countries. This research paper studies the concept of Bitcoin and further compare Gold and Bitcoin regarding investment prospective.

Keywords: Bitcoin, Gold, Investment, Cryptocurrency.

Introduction

Bitcoin is a virtual currency such as the rupee rupee dollar etc. Just like these, it is also a digital currency but it is very different from the other currency because we can not see it or touch it. We can only store this in online wallet. There is no bank authority or government to control bitcoin. Santoshi Nakamoto invented this on May 9th. If the talk of Value of Bitcoin is January, 2017 May 1 Bitcoin is worth approximately 70000 Indian Currency. You do not have to buy 1 bitcoin if you want to buy bitcoin. Actually the smallest unit of bitcoin is Santoshi and 1 bitcoin = 100000000 is Santoshi. Indian currency is 1 rupee = 100 paise, similarly, 10 crore Santoshi gets 1 bitcoin. It means that you can break 1 bitcoin till 8 decimals. You can also do 0.00001 bitcoin. There is a low fee for exchange of bitcoins. Bitcoin can also be buy or sell anywhere in the world without any distraction . It is thought to be the world's initially decentralized cash. Not at

all like normal part of cash, it isn't just fit as a fiddle yet in addition might be utilized to execute in physical and online exchanges. The center idea of Bitcoin created by Satoshi Nakamoto, who talked about in his examination paper "The outline of Bitcoin as a New Digital Currency". The possibility of an advanced cash – helpful and surreptitiously, liberated from the ambit of banks and the legislature has been a standout amongst the most famous and tried for thoughts since the entry of the new web innovation. Many offer for such a money were glided yet all were unsuccessful. Keeping in mind the end goal to comprehend the idea of Bitcoin, it is required to comprehend the different kind of money related instrument it speaks to. As Satoshi Nakamoto, the organizer of Bitcoin puts it "an electronic money framework". Installments are kept in an open record utilizing its own particular unit of record. At the point when the calculation was made by Nakamoto, a limited zone of 21 million on

the quantity of Bitcoin that could ever exist was set. Presently, more than 12 million are in circulation.

Planning of an advanced/virtual cash, inset many difficulties. A standout amongst the most fundamental set out is that of twofold spending. Since the unit of cash is only a data, free from physical structures of metal/paper, there is not a lot to hold individuals from reusing that snippet of data more than once. This would result in spending the comparative unit of cash more than once. The response for such an issue is depend on a focal clearing house that would keep a constant record of every single exchanges done in that cash. This would safeguard that the comparable unit of the cash couldn't be dispense once more. In spite of the fact that, this settlement would hamper extortion, however it would likewise require a confided in outsider for its administration. It is clear from the paper distributed by Nakamoto that this cash, not at all like all the others, depended on math or cryptography, not on trust.

Review of literature

Badev and Chen.(2014) found that“ the no. of regular users may have doubled in every 8 months, the transaction size is negligible compared to the domestic size of United States payment system. In the anaylsis from this research paper the data from the Bitcoin system further suggests that Bitcoin is still hardly used for payments for goods and services. In addition, the system of circulations of bitcions and the dynamics of the bitcoin exchange rate are sequential with low usage of Bitcoin in retail payment transactions. In the end, we provide evidence that the exchange rates between bitcoin and other currencies are not well matched, which interpret as a lack of depth

of the exchange markets and as costly exchange rather than unexploited arbitrage chances.”

Bonneau, Miller, Clark, Narayanan, A. Kroll and W. Felten (2015), they found that “ Bitcoin based on both the academic and (vast, fragmented) online literature shows a renaissance of new ideas in designing a practical cryptocurrency, a longstanding challenge for the computer security community. Innovation has not been limited to new cryptocurrency protocol designs but has touched many areas of computer security, distributed systems, hardware design and economics. This is a rich and deep space and it should not be overlooked simply because many ideas did not originate from traditional computer science research institutes.”

Alex Kroeger (2016) “analyzed bitcoin from two perspectives: the user market and the mining market. The interesting result from the user market is a persistent deviation from absolute purchasing power parity despite a bitcoin not being qualitatively different regardless of where and how it is purchased. Several factors were used to attempt to explain movements in the real exchange rate—relative transaction volume and price volatility—but were shown to be ineffective. This phenomenon warrants further investigation as to the cause of this discrepancy, whether it is an idiosyncrasy related to the exchanges themselves or some other fundamental economic driver related to legal or macroeconomic factors.”

D’Alfonso,Langer and Vandelis.(2017). They found that “the advent of blockchain and cryptocurrencies being as new and

revolutionary as it is, predicting the five-year projected value of either Bitcoin requires numerous factors to be considered. Through a combination of qualitative research conducted through interviews with industry professionals, linear regression, and a Monte Carlo analysis, it can be concluded that Bitcoin can leverage its existing user base and proven use case is likely to experience more growth in the five-year time horizon.”

Dubey & Kothari (2017). They concluded that “the silence of the RBI on the regulatory status of bitcoins may prove to be damaging. An industry has grown around bitcoins in India -traders, exchanges and merchants who accept payments in bitcoins. Bitcoins have already gained wide acceptance around the world-hence banning them would not be an option in India. Instead, this industry would need to be regulated. The sooner this is done, the better.”

Virtual currency

Bitcoin is known as a virtual cash. Virtual cash implies installment of that is, units of the virtual money display an esteem. It is implying for use in installments inside an uncommon virtual group, i.e a specific site or might be in a system of clients with particular programming for dealing with the virtual cash and making installments. This technique for virtual group can be said to share an unconstrained consent to utilize a determine as a methods for installment. This is a significant distinction to national monetary forms, for example, the Indian Rupees . At last, it has been established in law that the money related unit in India might be called Indian Rupees. The virtual money in this way has an interesting unit of record than national monetary forms. For

Bitcoin, the unit of record is simply the Bitcoin.

How Bitcoin works?

Bitcoin is a virtual cash conspire with two-directional stream, and a digital money. It was contrived to be free from the point of confinement of governments, banks and other money related establishments. At a wide level, Bitcoin fills in as a kind of electronic cash. Bitcoins can be purchased from particular sites, both abroad and in India, where they are traded for household currency. The rate of trading Bitcoin is consulted by the market as a component of free market activity. Bitcoin installment can be made between anyone with the in-require programming on PC, cell phone or tablet. This product is known as a wallet. Bitcoin isn't a sort of advanced money. The reason is that Bitcoins are not advanced units of significant worth put away on for instance a PC. A Bitcoin is along these lines not an advanced cash like 10 rupees note or 5 rupees coin. Or maybe, Bitcoin ought to be considered as assets in a record. At the point when an installment made, the payer accordingly does not send advanced notes and coins to the payee; rather, the installment held by methods for charging the sender's record and crediting the recipient's record. Installments are made by methods for transferring the scrambled messages and are confirmed inside the client arrange.

Bitcoin vs Gold : which one best option for investment purpose

The public never gets fully involved with novel, world-changing technologies until after the first explosive move higher. Smart investors are quietly amassing bitcoin and the other blockchain-based assets during

what I see as the early stage of a massive bull run.

I do not doubt that digital currencies and their blockchain backbone are the future of global commerce. In fact, it's apparent that the entire economic system is being forever altered by this technology. Investors who understand the changes taking place have already made fortunes, and there is still tremendous upside to come. The internet has changed the world. It has taken mankind to the next level of knowledge and has helped return power to the individual. Decentralization via blockchain technology is the latest iteration of the internet's real potential. Here's why bitcoin will beat gold in the years to come.

1. The overwhelming trend from physical to digital solutions and processes is the philosophical underpinning supports the rise of cryptocurrencies. Data has taken over every industrial group, from financial markets to agriculture. It just makes sense that data-based currencies are the logical step away from gold as a store of value.

2. In the developed world, most everyone has or wants a smartphone. You can't hold gold in your smartphone, but it is perfect for keeping bitcoin and other crypto-assets via a digital wallet.

3. The move to digital currencies is one of the final steps in the evolution of economics. Commerce began with the bartering of physical goods. Next, the world relied on gold, silver, and other commodities to store value and trade with others. Paper money and coins backed by gold allowed the acceleration of global business and made the trading of labor for needs and wants much more accessible for all strata of the economic system. In the last century, the gold standard was dropped entirely, with currencies supported by nothing but faith in

governments. The rise of the internet has allowed for the nearly instantaneous transfer of value from individual to individual and institutions around the globe. Today, we think nothing of paying for coffee with an iPhone app or using online payment providers such as PayPal (Nasdaq: PYPL) to buy something. Soon, it will be widely accepted that the blockchain provides the security and backing needed for currencies.

4. Our interactions have been forever changed by data. A classic example is Uber. When the internet was first popularized, it was impossible to trust others online -- there was simply no system of accountability in place. It was also considered extremely dangerous to get into a stranger's automobile. Fast forward to today, and it is quite common to get into a stranger's car that was requested from the internet! The sea change shift of perception of what is known as the "sharing economy" is what will ignite the fire under digital assets.

5. The sharing economy must be built on more than just trust. Digital asset transactions are overseen by the nearly immutable truth of the blockchain.

6. Blockchain technology will become universal. Gold and physical commodities can just be used for a few things like storing wealth, industrial uses, and jewelry. Blockchain-based currencies, however, are part of a much larger shift in technology. Some pundits even go as far as to state that the blockchain will forever change contract law, governments, and the global order.

7. JP Morgan CEO Jamie Dimon and other entrenched financial leaders have come out vehemently against bitcoin. While the public may see this as a bearish signal, professional investors understand that it is extremely bullish over the long run.

They can see that behind these harsh public statements is simple fear. Large banks are afraid that there may be a mass acceptance of cryptocurrencies, which would damage their profits. In financial lingo, Jamie Dimon is talking his "book" and has a clear agenda in speaking out against bitcoin.

Conclusion

Bitcoin is a cryptocurrency in which there is huge potential for the invertors to gain in a significant manner only if u are risk taker. As we know there is no government interfece in the transaction of Bitcoins which makes it bit risky investment option. On the other side, Gold is less risky but it yield less return compare to Bitcoin. For those who are risk aversers, Gold is the best option to invest their money. But investors who want to take risk and earn faster money, bitcoin is the best option to go with. There is huge growth in the price of bitcoin compare to last year. In 2016, one bitcoin is equal to 70,000 indian rupees but in 2017 one Bitcoin is equal to approx 9 lac indian rupees. In the end we conclude that gold is best option if u wants to invest in less risky assets but if u want to earn massive profit then Bitcoin is best to go with.

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