

DIGITAL CURRENCY: THE NEW FACE OF ECONOMY

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ABSTRACT

The future is moving towards technological advancements like block chain. The longer term of economic transactions is electronic transactions. Electronic transactions are on the tremendous rise with the widespread adoption of smart phones, where customers can transfer funds using mobile apps very conveniently. These advancements in electronic transactions and therefore the era of the globe moving towards digitalization and a cashless and paperless economy gave birth to 1 more such technological advancement in processing payments, i.e., crypto currencies. Though the adoption of crypto currencies depends on many factors like security issues as perceived by the government, it can see success in weaker currencies. However, even in these countries, these currencies will add a distinct segment marketplace if they survive. Suppose the globe is moving towards the adoption of crypto currencies. In this case, it's important to judge whether these currencies can perform the functions of cash. It had been argued that though digital currencies are the same as national currencies and may theoretically and practically serve their purpose. However, there are many arguments associated with it. Some say that digital currency is much too inflexible to be the unit of account and store important and can't fulfill the functions of cash. Crypto currency is stuck in the haze of monetary and technological instability. Research has got to be disbursed to alter the user's attitude and behavior towards it and see the crypto currencies from new perspectives. The adoption depends upon many varied factors like simple use, value formation, and government support. The paper's objective is to investigate the working of digital currencies in the related economies and therefore the potential of use in our economies. It'll include studying very well all the economies, which have diligently adopted digital currencies then lining out how in India the long run of digital currencies will get on and what political and structural reforms are going to be needed to try to do so.

Keywords: *Crypto Currency, Government, Financial Institution, Economy, Technology, Innovation.*

Introduction

The era of knowledge and communication technologies has created many opportunities in every aspect. The sector that has been benefitted the foremost from these recent developments in the financial and business. Systems that have traditionally been used for savings, investments don't seem to be well matched given the size and agility required for the digital age. Keeping in mind this array, financial institutions are responding with new digitization and innovation initiatives, using analytics, cloud technologies, and other new alternatives to reply to customer expectations. In a very country like India, with an oversized economy and a despotic regime, the country shows decent economic process even after having a posh system of arbitrary rules and regulations. Amidst all the expansion, there's a large scope of reworking the investment and lending patterns, with the assistance of technologies becoming more customer-centric and efficient. So, the technologies like block chain are looking to drive innovation across various industries in India. In the era of block chain, crypto currencies are the most a part of it. They're said to be the foremost disruptive technologies during this area. This paper is an effort to seek out the longer term of digital currency in India from the international experience. Keeping in

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mind these risks and threats, it absolutely was also proposed that a world regulative system can be built to manage the actions of digital currency. Suppose digital currency is the way forward for technological development, which is happening. An answer may well be thought of just in case every country must adapt thereto. All the countries, in participation, create a worldwide system which will regulate crypto currencies worldwide. This technique will curb the disadvantages of virtual currencies and help the national regulatory authorities in the supervision of digital currencies. A unified legal system may be created about virtual currencies, which can help to levy tax on these currencies in an exceedingly unified manner worldwide.

Digital Currency – A Future Ahead

Digital currency has the potential to completely change how society worries money. The increase of Bitcoin, Ethereum and thousands of other crypto currencies that exist only in electronic form has led global central banks to research how national digital currencies might work. In the U.S., for example, the physical U.S. currency in circulation is simply about one-tenth of the money supply; the rest is held in various bank deposits in electronic form. Digital currency, however, never takes physical form. It always remains on a network and is exchanged via digital means.

However, the question remains whether or not crypto currencies remain in the niche market of the countries, what's going to be their use in the future betting on their characteristics and current usage. It's seen that crypto currencies, specifically Bitcoin, have always been used as an instrument of investment and gaining profits with the assistance of trading due to their high volatility and large returns. They need not been seen because the alternative currency or medium of exchange for a way considerable period. It absolutely was also noticed that Bitcoin is in many terms different and uncorrelated from the asset classes we all know, which are stocks, bonds, and commodities. Though virtual currencies have gained much popularity in the previous few years, their use as a medium of exchange still depends on investors' balance and potential users. However, we cannot ignore the actual fact that the planet is moving towards a digital world. Thus, we've to appear at the chance of Bitcoin getting used as a legal medium of exchange in the world's major economies. A dual or multiple currency regimes isn't unaccustomed the globe. In the middle ages, many commodities like gold, silver, shells, etc., are used as a medium of exchange. So, if crypto currencies become an accepted alternative to fiat currencies, during which they both can coexist.

Digital Currency Advantages

Though these crypto currencies were gaining mass popularity in terms of an investment alternative and were being widely accepted in various businesses worldwide, the opinions regarding these have always been mixed. Some people think that paperless currencies are going to be the subsequent big significant player in the area of the national economy. Some people also argue that we as a world world need something that doesn't come under the purview of the govt. and may be traded independently and imperatively. However, some people feel that they have a while to determine their confidence in the new currency system. Solving that problem may have some amount.

- **Faster Payments:** Using digital currency you'll complete payments much faster than current means, like ACH or wire transfers, which might take days for financial institutions to verify a transaction.
- **More Cost-Effective International Transfers:** International currency transactions are very expensive; individuals are charged high fees to maneuver funds from one country to a different, especially when it involves currency conversions.
- **24/7 Access:** Existing money transfers often take longer during weekends and out of doors normal business hours because banks are closed and can't confirm transactions. With digital currency, transactions work the identical speed 24 hours on a daily basis, seven days per week.
- **Support for the unbanked and under banked:** Around 7 million American households don't have a checking account, consistent with the FDIC. They find paying costly fees to cash their paychecks and send payments to others through money orders or remittances.
- **More efficient government payments:** If the government developed a CBDC, it could send payments like tax refunds, child benefits and food stamps to people instantly, instead of trying to mail them a check or determine prepaid debit cards.

Digital Currency Disadvantages

Though we are able to view and consider the chance of using digital currencies as an alternate medium of exchange, we've to stay in mind the high volatility and unpredictability related to these currencies, which makes these currencies liable to financial bubbles and crashes, which brings us to negative implications of the digital currencies. There's a dilemma in the minds of economic policymakers whether using digital currencies as a medium of exchange would be a viable solution when major concerns are associated with them after the worldwide financial crisis in 2008. Thus, this makes these currencies a classic price bubble, which might get enormous profits to some individuals and large losses to some if got burst. These circumstances may cause situations of economic instability in the economy. Thus, it had been argued that these currencies can be adopted legally but with regulations, IT literacy, and IT technology.

- **Too many currencies to navigate at the instant:** The present popularity of cryptocurrency is really a downside. "There are such a large amount of digital currencies being created across different block chains that each one have their own limitations. It'll take time to work out which digital currencies could also be appropriate sure enough use cases, including whether some are designed to scale for mass adoption.
- **Takes effort to be told the way to use them:** Digital currencies require work on the a part of the user to find out the way to perform fundamental tasks, like the way to open a digital wallet and properly store digital assets securely. For digital currencies to be more widely adopted, the system must get simpler.
- **Block chain transactions are often expensive:** Crypto currencies use the block chain, where computers must solve complex equations to verify and record transactions. This takes considerable electricity and gets dearer as there are more transactions.
- **Large swings in digital currency prices:** Cryptocurrency prices and value can change suddenly. This is often why businesses are reluctant to use it as a medium of exchange.
- **Developing a CBDC will take time and tax dollars:** If the government decides to form one, there'll be costs related to its development.

Apart from above technical problems associated with crypto currencies, another problem attached to is that crypto currencies are very price unstable. It have many financial and economic drawbacks attached thereto, which is because, though any authority doesn't control these currencies, the economy depends on them, which might cause inefficiency in the market. It's established that if the globe should move towards digital currencies, many financial and technological advancements are needed in the area. However, these new technologies don't are available isolation. They carry new challenges for the regulatory authorities, like scope for concealment and financing of terrorism. However, some people are of the view that rather than making crypto currencies because the medium of exchange or tender, the government should issue a digital currency because it can help cumbersome a number of the cons of the privately issued digital currency. However, to date, no bank has moved ahead during this line of direction. Suppose central banks of the countries plan to start to issue digital currency. In some of the cases, their main aim are to standardize its features and guarantee its credibility, stability, and supply.

Digital Currency – The Future Forward

After studying and analyzing well, we will make certain that the planet is rapidly moving towards technological advancements and innovations. One such advancement is the technology of block chain and digital payments. The world's inclination towards these digital methods is increasing, leading to more and more people supporting digital currencies. It's agreed that the longer term cannot be predicted. Though, clouds of doubts about the reliability of digital currencies and debates about whether it's harmful in the long term or not have always surrounded the long run of virtual currency. However still, these currencies have attracted not only the interest of the investors but also of the regulatory authorities of the country like media. However, due to these debates and doubts in the mind of the investors, prices and market capitalisation of those currencies show major fluctuations, which make it tougher to forecast their future.

In the Indian context, which traditional payments have predominantly driven, digital currency faces many challenges. With a robust legal framework, India empowers RBI to supervise and regulate the payments systems, which are safe and secure. The payment systems are very efficient, fast, and affordable. For the digital currency to be implemented in India, strong frameworks which tests and

authenticates the parameters affecting various stakeholders must be developed. The subsequent table summarizes a number of the important parameters for the normal and digital currency concerning Traditional Payment and Digital currency specifically for India.

Currently, digital or crypto currencies are seen with suspicion by governments and traditional finance managers in India. Global Pandemic coronavirus has given more enhanced pace due to the critical race to the governments as non-implementation may harm its economic and political interests. The post Lockdown scenario has also led to a debate proposing the utilization of the Digital Rupee to unravel problems like counterfeiting banknotes, concealment, and nonpayment through block chain technology offering secure monitoring and reporting. With a powerful belief in mind, confident but cautious steps have to be taken by the reserve bank of India. Proper care must be taken for implementation with advancements in block chain technology-based solutions offering advantages of tracking various illegal economic activities hurting the Indian economy. Ad is organized implementation of a digital currency would only result in severe monetary concerns in terms of devaluation of national currency, rise in inflation, or upset exchange reserves. Digital currency supported block chain-based architecture offers authenticity. The block chain architecture implemented by RBI engaged on a centralized but distributed wherein the transactions would be encrypted cryptographically and verified by a network of nodes participating as validators. This mechanism leads to a sequence of transactions and safeguards transactions from malicious content that may not penetrate the network. The decentralized network helps to secure as because one point of failure doesn't exist.

Numerous Opportunities for digital currencies in the Indian context are often listed. However, the most important challenge being how RBI will proceed with caution and implementation. Digital currency would be a true blessing for the government if concrete research-based. The pilot program-tested approach is customized. Surely the benefits of a national digital currency simply overshadow the threats related to it. A right combination of research-based development, advanced block chain technology-based solutions, decentralization, and centralization architecture with a powerful foundation of principles of economics would lead the digital currency journey. The proven skills in IT and block chain would function a positive sign for India in the worldwide arena. Realization of the Indian digital economy dream would become successful when the banking concern of India concretes the concept of digital currencies with due diligence on the aspects of technology, economics, and therefore the societal impact.

India's Plan to Regulate Digital Currency

Amidst of these arguments, some governments decided to adopt digital or crypto currencies. Some decided to not make any decision. People who were left concluded that banning these currencies would be the simplest for the concerned economy. The government who encouraged the shift towards digitalization of currencies did it because they felt it would be the simplest way to cater to everlasting issues like concealment, nonpayment, and boost competition. The government, who gave their verdict against digital currencies, argued that great caution is required while using crypto currencies. They believed that, since any authority or government doesn't govern these currencies, there lays no protection in using them. So, if there's any technical glitch or platform malfunction, there'll be no backing to the investors. Prime Minister Narendra Modi led a review meeting on the digital currency on Saturday, and it was decided that the government will still proactively engage with experts and other stakeholders on the evolving technology, the people said, asking to not be identified.

Though the countries like Japan and Russia have imposed many stringent restrictions on their use, they still recognize it as their tender. Yes, such forms of currencies may indeed be used for concealment or ransomware payments, drug deals, or targeted assassinations. However, another question which thereby rises is can it's controlled? With a packed system of rules and regulations, can India think about legalizing this currency and eliminate the cons, which include it. Many people made an enormous amount of profit, and thus it became very talked-about. However, even then, the recognition was in the maze of the questions surrounding it: should it's made legal? The stance of RBI with the employment of currency was never very clear. RBI supposedly was considering fitting its crypt, which was a step in the wrong direction. Crypto currencies are famous because they permit their users to be anonymous and seek alternative stores useful. No fiat currency can give this mixture. Moreover, trading in these currencies also eliminates the concern of inflation caused by an outbreak of cash supply by the financial organisation because there's no financial institution. Maths governs the cash supply. So, after the ban of the currency and therefore the government cannot come up with any alternative way forward for digital currency remains hazy in India.

Conclusion

The paper thoroughly discusses the stand of various countries over the regulation and acceptance of digital currencies as a part of their legal and economic system. These findings played an enormous role in helping us to understand where the longer term of digital currency within the minds of regulatory authorities of the country. In this paper, we discussed well the methods and policy reforms, which were adopted in a number of the countries in order that they'll make trading of those currencies safer and more reliable for the investors and also stop the exchanges to fancy fraudulent practices like concealing, terrorism, etc. We revealed that different countries are handling the trading of digital currencies in an exceedingly good manner and have innovative methods of policy reforms. A number of the countries are even thinking of launching their digital currency. The paper also discussed the stand of India in making digital currencies a medium of exchange. Though digital currencies were gaining popularity, they were still banned by the RBI, on the premise that since they're owned or controlled by any regulatory body, it's not safe to take a position in them. However, suppose India doesn't fall back in the race of technological innovation. In this case, they must also give some thought to bringing some policy reforms to manage them efficiently. RBI can make some rules and regulations for the trading of those currencies as they feel appropriate. They will start giving the licenses to the digital exchange operators after doing extensive background on these exchanges. Even then, they'll create some reporting obligations for the exchanges to always confine the loop, which can help India as a nation and convey India as a nation that supports all the digital transformations.

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