

IMPACT OF BITCOIN AS A GLOBAL CURRENCY DURING THE COVID PANDEMIC

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Abstract

There have also been significant changes in the globe during the last few decades, with the ever-changing phase of technology at the heart, such as advancements in the way people communicate, conduct business, and trade information. The usage of technology has increased in practically every significant subject, whether it is research, commerce, or any other applied area, and it has also smoothed the work process. The physical use of cash is decreasing day by day. Mobile wallets, digital wallets, and smart cards are used to make large payments. Because of the rapid advancement of technology, a new area of trade, known as E-commerce (electronic commerce or EC), has evolved. There has been a progressive shift away from paper-based payments toward electronic payments, particularly in industrialized economies. One such innovative product that has arrived on the economic horizon is electronic money (e-money). Cryptocurrency is a new type of currency that is gaining popularity in monetary transactions all around the world. Bitcoin is the first distributed cryptocurrency in the leading block chain technology, which was launched in 2008, and the present is made because of the use of this particular element in the Covid19 virus.

Key words: Technology, Electronic Payment, Block chain, Bitcoin

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Introduction

The term cryptocurrency has rapidly gained widespread awareness during the previous few years. Cryptocurrency is quickly becoming indispensable for people who respect privacy and who believe that employing encryption to govern the generation and distribution of money is not too far-fetched. Today, cryptocurrencies such as Bitcoin, Litecoin, Ether, and others are sweeping the financial world, with more people investing and purchasing them. At the same time, there is widespread misunderstanding and bias, which undermines Cryptocurrency's overall effectiveness.

The cryptocurrency was created from the bottom up to benefit from the internet and how it functions. Rather than depending on traditional financial institutions to validate and guarantee your transactions, cryptocurrency transactions are confirmed by users' computers that are connected to the currency's network. It is impossible to expand the money supply above a predetermined algorithmic rate since the currency is safeguarded and encrypted. The algorithmic rate is known to all users. As a result, no cryptocurrency can be produced or "mined" beyond the ceiling limit set by each algorithm.

Cryptocurrency does not have a physical form because it is entirely in the cloud, but it does have a digital value and may be used as a digital counterpart of cash at an ever-increasing number of stores and other companies. Bitcoin was the first cryptocurrency to be formed, and while each cryptocurrency transaction incurs a modest fee, it is still significantly less than the fees associated with credit card processing.

Literature samples

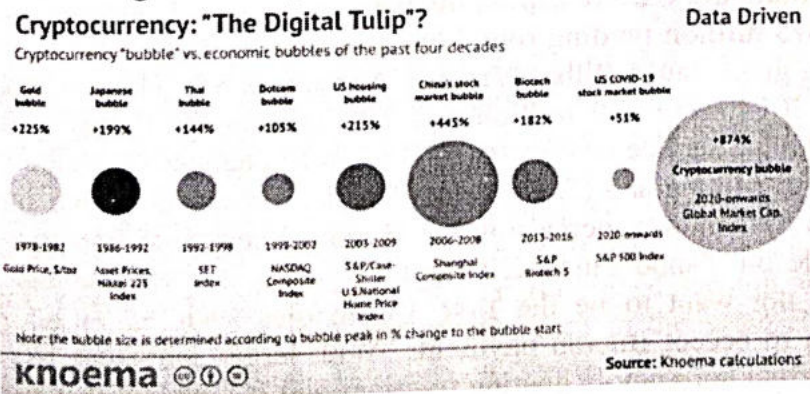
Money has evolved in the trading world, and the most recent addition is a virtual currency. Digital currencies are comparable to virtual currencies, however, virtual currencies have their monetary units. Cryptocurrencies are a new generation of virtual currencies that have attracted a lot of interest from economists (Tschorsch & Scheuermann 2015). Around 280 cryptocurrencies exist today all across

the world, including Bitcoin, Litecoin, and Dogecoin. Cryptographic algorithms are heavily used in the design of cryptocurrency. According to a Google Drive poll (Al Shehhi et al. 2014), Bitcoin is the most widely traded cryptocurrency, with a market worth of roughly \$20 billion. While Bouri et al. (2017), Klein et al. (2018), and Smales (2018) do not find convincing evidence that Bitcoin acts as a place of refuge for global assets, Selmi et al. (2018) show that Bitcoin, like gold, acts as a hedge, haven, and diversifier for oil price fluctuations. This attribute, however, appears to be sensitive to the distinct (bear, normal, or bull) market circumstances of Bitcoin and gold, as well as whether the oil price is in a negative, normal, or upwards regime. Ethereum, Ripple, Dash, and Litecoin are some of the most popular cryptocurrency exchanges on the market (Garrick & Michel 2017).

Bitcoin Regulation

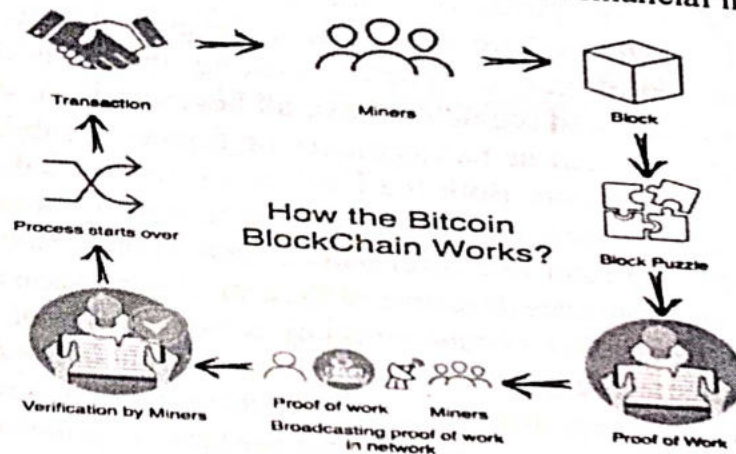
In terms of Bitcoin regulation, there is little consistency in how different countries approach the currency. There is a lack of uniformity in legal, accounting, tax, and audit-related recommendations. As a result, one of the most contentious topics in the digital currency business is regulation. Bitcoin technology has several unique and unprecedented characteristics that make it potentially disruptive to a wide range of industries and institutions. The opportunity to track money anywhere else in the world in minutes, its peer-to-peer fragmented nature of value transfer, and its entirely digital nature makes effective regulation of digital currencies extremely difficult for governments and policymakers. There is currently no clear legislation on digital currencies, making the process even more complicated. Government agencies, central banks, and regulators have all begun to issue statements on Bitcoin. These articles examine Bitcoin's hazards (such as to customers or financial stability), prospective regulatory actions, and legal and fiscal classification. Both the European Central Bank and the European Banking Council are debating the hazards of Bitcoin and possible regulatory responses in Europe. The ECB is concentrating on issues that are important to central banks, such as price stability, financial stability, the payment system, and reputational concerns. Because of their modest volume and limited connexion with the actual economy, the ECB finds that virtual currency schemes do not represent major concerns. However, if cryptocurrency schemes become more prominent and their use becomes more widespread, this could alter. The ECB goes on to say that while virtual currency schemes are under the authority of central banks as payment systems, they must also consider possible Reputational Risks, as central banks may well be held liable by the public for Bitcoin-related accidents.

The perspectives of the world's top authorities, such as the World Bank, the International Monetary Fund, and even the Federal Reserve, on the position of Bitcoin, are inconsistent. The abstract nature of Bitcoin, according to the World Bank, presents a problem to authorities. Bitcoin, like any other kind of monetary value such as cash, e-money, and credit cards, can be used for both legal and illegal reasons. The debate is whether Bitcoin makes it simpler for criminals to launder money for illegal reasons, and if so, how should regulators respond to these perceived or genuine concerns.



Bitcoin Technology

Bitcoin technology is complicated to grasp for the average person. It could be one of the reasons why new users and the general public are still hesitant to adopt this technology. Nonetheless, this technology existed and was used in a variety of settings. Cryptography is used in the Bitcoin transaction process to verify transactions, process payments, and manage the number of Bitcoins. Nonethless, this process to verify transactions, process payments, and manage the number of Bitcoins. The cryptographic algorithms employed in the Bitcoin network are not new and are commonly utilized in a variety of data security applications. Bitcoin is based on two encryption techniques: (a) the digital signature, which allows the parties to a transaction to exchange accurate (payment) instructions, and (b) cryptographic hash function, which is used to enforce discipline when writing transactions, records in the public ledger. Both of these systems are commonly used to secure commercial and government communications, and neither is unique to Bitcoin. Not all Bitcoin clients will engage in "Mining," which could be due to a lack of understanding of the algorithms or a shortage of high-speed computer resources, or both. They do, however, recognize the benefits of this technology, which include anonymity, security, and cheap transaction costs. As a result, they require a large number of access points where they can convert their fiat currency into Bitcoin, such as Bitcoin ATMs or online conversions services, with or without the involvement of banks or financial institutions.

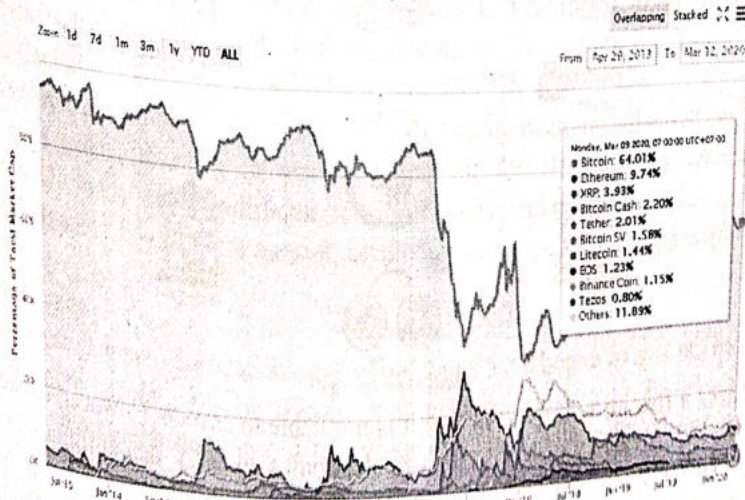


Bitcoin Economy

Some high-profile online merchants have begun taking Bitcoin payments over time, and the rise of robust and dependable payment service choices appears to be a game-changer for Bitcoin as an e-Commerce currency in the future years. The fact that we are seeing massive Venture Capital Investments in Bitcoin-related firms, notably, indicates that Internet pioneers are betting on Bitcoin's bright future. According to the digital currency news site Coindesk, investors such as Netscape founder Marc Andreessen and LinkedIn founder Reid Hoffman invested \$315 million in Bitcoin-related ventures in 2014, more than doubling the venture capital investment in 2013. Coinbase, a digital wallet company, recently announced a \$75 million funding round led by the New York Stock Exchange and the venture arm of Spanish banking giant Banco Bilbao Vizcaya Argentaria SA. The two largest VC investments in the second quarter of 2014 were \$30 million and \$20 million for Bitpay and Bitfury, respectively. Service providers (a) Wallet Service providers (b) Bitcoin Exchanges (c) Selling Products to customers (d) Financial Services (e) Mining and (f) Universal Service Providers, which supply all of the services described above, saw a tremendous increase in the Bitcoin Ecosystem start-ups in 2014. The price of bitcoin is now available on Yahoo Finance, Google Finance, and Bloomberg. Previously, merchant were hesitant and did not want to be the first. Companies such as Virgin Airlines and Alibaba AliExpress have begun to accept Bitcoin payments. With large companies like Microsoft and PayPal leading the way, the virtual currency is gaining traction, and it's evident that Bitcoin is here to remain

PayPal, for example, announced in September 2014 that it was teaming up with Bitcoin exchangers Coinbase, BitPay, and GoCoin to allow its merchants to take Bitcoin for digital items such as online games and downloadable music. Around 63,000 retailers accepted Bitcoins at the end of 2014, the majority of which were internet businesses such as Dish Network, Expedia, and newegg.com. Merchants desire a global clientele. According to Overstock.com, 60% of Bitcoin users are new to the site, whereas CheapAir.com claims that 100% of Bitcoin users are newcomers to the premises. Simultaneously time, according to the Cyber Source online fraud study, the average merchant rejects around 8% of all overseas orders owing to chargeback fears. There are no cross-border fees with Bitcoin payments, making it particularly suited to the demands of international buyers and sellers. Bitcoin, in its borderless nature, continues to benefit the global economy. Bitcoin claims to be a retail payment system that does not require the use of trusted third parties. As an intermediary, banks and financial institutions only end up extracting big fees as a result of their services. There has been a steady increase in the number of Bitcoin-related support systems, indicating that such intermediaries are being phased out. By the end of 2015, there were over 500 Bitcoin ATMs around the world, with North America alone accounting for over 56 percent of all ATMs. The Bitcoin system attempts to protect the payment system's integrity by focusing on counterfeit prevention and anonymity. Bitcoin tries to digitally emulate cash in terms of secrecy, payment finality, transaction costs, and transfer decentralization. It encourages shops to use Bitcoin, which not only lowers costs but also attracts new clients. International banks are concerned about the way Bitcoin is infiltrating the financial system and affecting their operations. They are compelled to be creative and come up with a viable alternative to survive. They're collaborating to create a Bitcoin rival based on blockchain technology.

Percentage of Total Market Capitalization (Dominance)

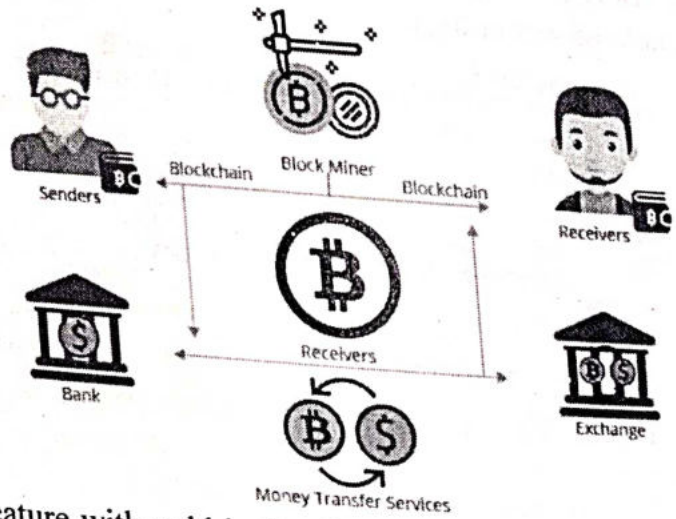


Bitcoin as a "Currency"

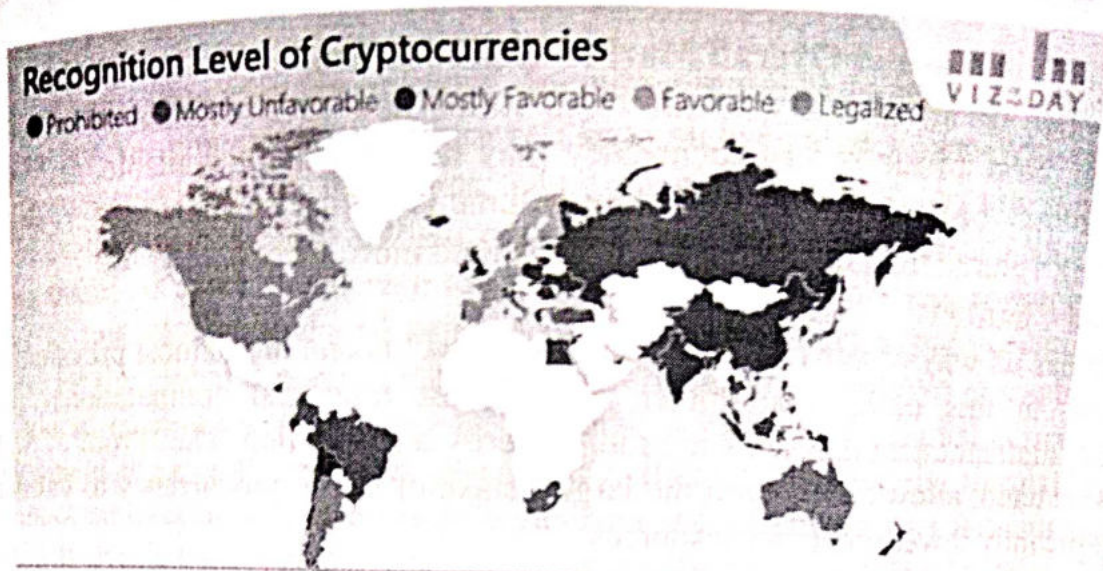
Previously, currency was effectively a receipt for a product that could be redeemed for physical gold in most situations. Today, however, the vast majority of currencies are referred to as "fiat" currencies, which means they are not inherently valuable or redeemable for a commodity but are instead created and supported by a central authority such as the US Federal Reserve. The consumers of such currencies placed their trust in the central authority, which gave the currency its worth. Money has three functions in economics: it serves as a unit of account, a means of payment, and a store of value. Even in today's economic climate, every currency territory has a single unit of account, which makes them effective option. All prices in a currency area are denominated in the same unit, which makes them comparable and allows markets to function. Typically, a regulatory organization, such as a country's

central bank, issues official currency and is responsible for regulating the quality and quantity of that money following a public mandate. In most nations, such a mandate requires that these forms of paid work as a stable and liquid store of value in the short to medium term. While Bitcoin is one of several private payment options, it has three distinct characteristics: It introduces a new unit of account, one without a single and identifiable issuer, and one whose quantity is determined once and for all. Bitcoin is a pure asset that is unrelated to credit creation processes and is based on the gold paradigm. It is not issued by a single entity and does not represent anyone's liabilities. It means that its supply cannot be changed to meet changing demand, and it does not come with a guarantee that it will be converted into official currency at a specific rate. The term "crypto-currency" has been coined to designate Bitcoin-like systems because of their operation based on the cryptographic techniques explained above. The Bitcoin Foundation, for example, describes its tasks as standardization (e.g. financing the Bitcoin transportation system, which includes a core management team), protection (e.g. maintenance, enhancement, and constitutional support of the integrity of the technical guidelines underlying the operation of Bitcoin), and development of the Bitcoin system, but it is not completely decentralized. The role of central banks in the monetary and statement says is founded on a legal mandate of the monetary area's policy and their power to issue currency; however, the Bitcoin Foundation lacks both ingredients and thus cannot fulfill the job of a central bank. One of the pillars of the Bitcoin concept is the deliberate construction of a system without a central bank.

How Does Bitcoin Work?



Bitcoin shares a feature with gold in that it is not liable to anyone. However, unlike gold, which is commonly utilized for a variety of items (such as electronics, industry, dental fillings, or jewelry) and has a commodity value, Bitcoin has no use-value other than to serve the Bitcoin system. As a result, its value is solely determined by the subjective opinions of users, resulting in significant fluctuation concerning official money. The fixed increase in supply, up to a predetermined end level, favors demand effects. As a result, some analysts have suggested that Bitcoin's value is based on the "greater fool idea." From the standpoint of a store of value, Bitcoin is more akin to a speculative asset. As a result, the economic incentives for keeping Bitcoins are significantly stronger than those for spending them. Exceptions include transactions in which utilizing official cash is either impossible or inconvenient (e.g. illicit transactions and small-denomination online payments).



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Source: Synergis

Bitcoin - A Glimpse into the Future

In comparison to Russia's Ruble and Brazil's Real, the world's two most important physical currencies, 2016 was the year of Bitcoin, with the digital currency growing by about 79 percent. As a result, it has outperformed foreign exchange, stock exchange, and commodities contracts as a superior bet for investors. There are numerous reasons why Bitcoin's impact is so important now, and also why the Cryptocurrency of 2018 is here to stay. Among them are:

1. Reduced Remittance

Several governments throughout the world are enacting isolationist policies that limit remittances from other nations or vice versa by imposing excessive fees or enacting additional laws. Fear of not being able to transmit money to family and friends is prompting more people to use digital Cryptocurrencies, the most popular of which is Bitcoin.

Control Over Capital

Various sovereign currencies, as well as their use outside of their native nation, are regulated and restricted to some extent, resulting in increased demand for Bitcoin. For example, the Chinese government recently made it more difficult for individuals and businesses to spend the country's currency abroad, trapping liquidity. As a result, cryptocurrency like Bitcoin has exploded in popularity in China.

2. Better Acceptance

Because more genuine organizations and corporations have begun to accept Bitcoins as a form of payment, more people are using Bitcoins than ever before. Bitcoin is now widely utilized by online consumers and investors, with 1.1 million bitcoin wallets installed and used in 2016.

3. Corruption Crackdown

Unfortunately, due to the crackdown on corruption in many nations, digital Cryptocurrencies such as Bitcoin are now seeing increased use. In order to make it more difficult to pay bribes and render hoarded black money unusable, India and Venezuela both outlawed their highest denomination and still-circulating banknotes. However, this increased demand for Bitcoins in these countries, allowing people to send and receive money without having to report it to the authorities.

The Real-world Impact of Virtual Money

Although cryptocurrency and its use are at an all-time high, misconceptions surrounding it are at an all-time high. The majority of individuals still appear to wonder why they should use Bitcoin. Because such currencies use distinct algorithms and are traded in unusual ways, it's crucial to search for a few key qualities before investing in Bitcoin or other similar currencies. This includes the following:

- **Daily Trading Volume and Overall Market Capitalization**
The entire value of all of a cryptocurrency's forms now in circulation is known as its market capitalization. New forms of cryptocurrency may not be widely available, and as a result, their market value may be low. The daily trading volume is similar to this, and a cryptocurrency with a bigger trading volume than the competition is deemed more successful.
- **Verification Channels**
Every coin has its way of verification. "Proof of Work" is one of the most prevalent approaches for verification. In this case, a computer must invest time and computational power to solve challenging mathematical problems in order to verify a transaction. The "Proof of Stake" technique, on the other hand, allows users with the largest stake of the cryptocurrency to validate transactions with significantly fewer computer resources.
- **Acceptance of Cryptocurrency**
A cryptocurrency is useless unless it is accepted by big retailers or other businesses with which you do business. That is why Bitcoin is by far the most popular digital currency, as its reach is broad and it is accepted by a wide range of businesses and shops.

Toning Down the Frenzy - Challenges Ahead for Bitcoin

Although Bitcoin's meteoric rise cannot be overstated, cryptocurrency, in general, faces several obstacles before gaining widespread acceptance. Among the difficulties are:

- **Safety and Reliability**
Bitcoin and other types of Cryptocurrencies, which are solely dependent on their digital form, are currently the preferred way of payment for both hackers and criminals due to the air of anonymity they provide. This immediately dissuades the general public from using it. Mt. Gox, the world's largest Bitcoin exchange, was hacked in 2014 and plundered at about \$69 million, effectively bankrupting the exchange. While those who lost money have been compensated, many people are still concerned that the same thing may happen once more.
- **The Debate on Bitcoin Scalability**
The bitcoin community is outraged over how the blockchain will be improved for future users. As the timing and fees for verifying a transaction reach new highs, more businesses are finding it difficult to accept Bitcoin as payment. More than 50 companies joined forces in early 2017 to speed up transactions, but the benefits have yet to be felt. As a result, more people may begin to use traditional forms of cash to circumvent blockchain issues.
- **The Rise of the Rivals**
Bitcoin is no longer the only game in town, and while its value has surged by about 100% since the beginning of 2016, its market share is gradually dwindling due to around 700 distinct competitors. Its market share has dropped to 50% from 85 percent a year ago, indicating that the times are changing.
- **Unrecognized by Governments**
The majority of the general public, as well as the majority of foreign governments, are unfamiliar with Bitcoin. The cost of obtaining a license to start a cryptocurrency company is exorbitant, and there are no regulations in the works that would make investing in them easier. The US Securities and Exchange Commission recently denied Bitcoin's application to create a publicly-traded fund based on the digital currency, causing the digital currency's value to drop.

Conclusion

Bitcoin has already allowed many investors (including individuals, businesses, and governments) to grow and prosper as the most well-known and highly-valued sorts of cryptocurrencies. Simultaneously, many people rely on trading as their principal source of income. In this regard, the global economy is gradually and steadily transforming to meet these demands—and Bitcoin has a strong chance of meeting them. As a result, it's safe to claim that Bitcoin drives global economic growth by facilitating access to finance and financial services, particularly in developing countries. Despite its enormous potential for the global economy, Bitcoin cannot readily be employed as a substitute for legal tender or as the global economy's base currency. For this to happen, the digital currency must make significant development in several key areas. Meanwhile, Bitcoin's historically fluctuating value is an issue that just cannot be overlooked. Even if policymakers accept bitcoin as a fiat currency, deflation and other factors will stymie the cryptocurrency economy's expansion. That is why, rather than utilizing traditional exchange, people are more inclined to use Bitcoin to gain some rewards on their fiat money today. Bitcoin, the world's most popular cryptocurrency and the year's best-performing currency, paves the way for simple and secure international money transactions. However, there is no such thing as a free lunch, there is a significant amount of required energy, and the price volatility is probably the most notable drawback of this digital currency. As a result, even if it takes years to gain universal acceptance, Bitcoin's impact on the global economy is too obvious to ignore.

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