



DIGITAL CURRENCY – THE FUTURE CURRENCY

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ABSTRACT

From the last two years of covid-19 Digital currency has adopted a remarkable place in the financial (majorly) and all the other industries. People in the time of the novel coronavirus started using digital currency positively. This period has shown drastic usage of virtual currency over cash currency to make payments. People were going cashless by carrying money in their bank accounts but connected to mobile devices with payment-making software. Digital currency is nothing but virtual currency/ digital money /electronic money/electronic currency or money-like asset that is principally handled, stored, and swapped on digital computer systems, mainly over the internet. In this paper the knowledge of digital currency and the activities related to it is discussed. Here I have tried to give an insight into cashless India, starting with its history, types of systems, adoption by the government of India, followed by the criticism faced by digital money.

Keywords: -Digital currency, novel coronavirus cash currency, cashless, payment making software, virtual currency, digital money, electronic money, electronic currency, and adoption by the government of India.

Introduction

The worldwide spread and use of the Internet and mobile phones add to the development of new forms of money and financial payments. Precisely, digital currencies and electronic payments are known to conduct easy and effective financial transactions. This currency displays properties similar to traditional currencies, however, do not have a physical existence, unlike currencies with printed banknotes or minted coins. This lack of corporal form allows almost instantaneous transactions over the internet and eliminates the cost related to distributing notes and coins. Normally not issued by a governmental body, electronic currencies are not considered legal tender and they permit incorporation across governmental borders. IT industries have revolutionized the digital transformation of payments, introducing innovative technology i.e., it might reduce the fee of transactions, although expose users to new dangers. Assure the supremacy of currencies remains at the center of each nation's financial system, raising the number of central banks participating in some type of jobs relating to Central Bank Digital Currency (CBDC).

The present literature on digital currency pivots on the proof of its concept. However, to invest in the provision of secure digital currency, the value of its adoption must be demonstrated at the solitary level. Through this research paper, we discover the answers to the following questions:

1. What is a digital currency, how is the adoption of digital currency done, and its impact?
2. What are the criticism faced by the adoption of digital currency?

Literature Review

History

In 1983, David Chaum introduced the idea of digital cash through a research paper. In 1989 he found electronic cash i.e., Digi cash, in Amsterdam to commercialize the ideas in his research. And filed a case against bankruptcy in 1998. The birth of digital currencies antedates the 1990s Dot-com bubble. One more digital currency service was Liberty Reserve, established in 2006; it allows end-users to convert dollars or euros to Liberty Reserve Dollars or Euros, and swap them freely with each other at a 1 % fee. Q coins or QQ coins were used as a type of commodity-based digital currency on Tencent QQ's messaging platform and began in early 2005. Q coins were so successful in China that they were said to have had a wrecking effect on the Chinese Yuan currency due to supposition. Current interest in cryptocurrencies has given rise to renewed interest in digital currencies, with bitcoin, found in 2008, becoming the most widely used and accepted electronic currency.

Types of systems

There are two types of systems: - a) Centralized and b) Decentralized

A.) Centralized: -

Currency can be swapped electronically using debit cards and credit cards using Electronic Funds Transfer (EFT) at the point of sale.

Mobile digital wallets: -Various electronic money systems utilize contactless/ cashless payments transfer to facilitate easy payment and give the payee more boost in not letting go of their digital wallet during the transfer offunds.

B.) Decentralized: -

Digital Currency has been executed in some cases as a decentralized system of any amalgamation of currency issuance, possession record, possession transfer of authorization and documentation, and currency storage.

As per the Bank of International Settlements (BIS), "These schemes do not distinguish between users based on location, and therefore allow value to be transferred between users across borders.in addition to this, the speed of a transaction is unconditional on the geographical location of the payer and payee."

Adoption/ acceptance by the government

In India, the (UPI)Unified Payments Interface is a real-time payment system for quick money transfers between any two bank accounts involved in engaging banks. UPI has no intermediary stock/reserve for money. It draws out money directly from the bank account of the sender.e.the payer and deposits them directly into the recipient's/payee's bank account when a transaction is called for.

The VPA can be allotted by the bank, but can also be self-defined just as an email address. Money can be transferred from one VPA to another or from one VPA to any bank account in an engaging bank using the account number and bank branch details.UPI has no intermediary stock/reserve for money. It draws out funds directly from the bank account of the payer and deposits them directly into the payee's bank account when a transaction is called for. A payer can start and authorize a transfer using a two-step secure process: log in using a passcode → initiate →verification using a passcode. A receiver can start a payment request on the system to send the payer a notification or by presenting a QR code. On receiving the request, the payer can decline or confirm the payment using the same two-step process: login → confirms → verify.

Criticism

According to Barry Eichengreen, an economist known for his work on monetary and financial economies, "cryptocurrencieslike Bitcoin are too volatile to possess the essential attributes of cash/ money. Stable coins have fragile currency pegs that diminish their utility in transactions. And central bank digital currencies are in search of the solution of a problem."

Currently, in India, the RBI supreme authority printing the Indian rupee.

- 1.Banks worry that in the situation of a digital currency that is printed (in the digital form), preserved, and distributed by the RBI, their existing models could be disrupted.
- 2.When banks start to lose deposits over the period, their ability to create credit is inhabited. Since central banks cannot provide credit to the private sector, the impact on the role of bank credit needs to be well understood. Plus, as banks lose significant volumes of low-cost transaction deposits, their interest margin might come under stress, leading to an increase in the cost of credit.
3. Governments worldwide have encountered digital currencies due to concerns about tax evasion, money laundering, and possible manipulation of exchange rates and money supply.
If e-cash becomes popular and RBI places no limit on the amount that can be stored in mobile wallets, weaker banks may struggle to retain low-cost deposits.
4. Although these retail banks lose that protection, lenders may be unwilling to cast their loan assets and surrender profits. Their less-liquid balance sheets could leave them at risk of bank runs.
- 5.All economies are mindful of the threat to financial stability and the advanced nations also worry about the dwindling use of banknotes, especially after Covid.
- 6.As perfectly unknown money, most CBDCs will be outlined in such a way that the central banks will be able to track the spending.

Anyway, transactions executed with them may be invisible to payment applications, and fintech firms may drop outbreak to some data being drawn for cheap loans to those who don't have a surety. And these are some criticisms about digital currencies facing the current scenario.although there are more added to this,I took these into account as these are for general-purpose understanding.

Methodology

The present Research paper has been done through an analytical research methodology for this study. To satisfy the objectives of the research, I used secondary data from various publications by Informational websites, including economic times, Various research papers, case studies, newspapers, books, magazines, etc...This paper is purely based on secondary data referring to various sources such as journals, newspaper articles, websites,and case studies.

Conclusion

The ongoing chapter presents a general conclusion about what has been discussed in this paper. It also presents a proposal for future research in this area. The proposed research model provides a holistic view that will enable stakeholders the adoption of digital currency. While this study focuses on the impact of digital currency adoption on the quality of life at the individual level, there remain research opportunities to explore this at the national level. Effective research in this area will inform policymaking and business decision-making for the benefit of individual users. In conclusion, we state that digital platforms issue currencies to improve the business model, grow the ecosystem of partners and thereby increase profits. Central banks and other government bodies study and control these innovations on the platform for several reasons. Primarily, virtual currencies are innovations that can raise the effectiveness of retail payments, for illustration, by giving budget-friendly, faster, or more appropriate choices to existing payment ways, mostly for online transactions. They have fast transfer and transaction times

Secondly, digital currencies can raise a range of public policy and regulatory issues if they become a widely used means. Furthermore, the existing platform payment methods will not change, and the basic framework and structure of the present payment market will not go through many changes but will resume developing. Although it has more profit still it is lagging at the local level to reach.

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