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AN INSIGHTS TOWARDS EVOLUTION OF CRYPTOCURRENCIES IN ECONOMIC SYSTEM IN BENGALURU

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Abstract
Due to the increased developments in Information and communication technologies, our life has become flexible and increase in number of online users have enabled to shift towards virtual world and building a new business concept called cryptocurrencies. Cryptocurrencies, in today's world, is growing at unprecedented pace. Since its inception in 2009, increase in usage of cryptocurrencies has joggled the market within a decade. It is being anticipated that cryptocurrencies could become a future currency replacing the paper currency worldwide. Cryptocurrencies are intangible asset which aids in trading such as buying and selling. Cryptocurrencies work with the help of block chain technology which is a decentralized system and manages and records transactions and brings revolution in the coming future where there is no legal backing system and brought as peer-to-peer transactions. More than 15,000 cryptocurrencies are traded publicly. However, it lacks research on cryptocurrencies as many lack awareness about its existence, the opportunities and the challenges it throws though users are attracted to make investments on it. The purpose of the study is to understand how globally we are moving towards digital ecosystem. This study has been conducted using 100 respondents and simple sampling technique has been used to analyze and interpret the results. Further, it concludes that cryptocurrencies have become the emerging phenomenon in the economic system.

Key Words: Cryptocurrencies, Block Chain Technology, Economic System.

Introduction

1.1: An Overview

Cryptocurrency is a digital asset over which Central Banks or Financial Institutions have no control or regulation. Such cryptocurrency is derived from the encryption algorithm or cryptographic technique which is used to secure data. Back then, cryptocurrency was merely an idea in the mind of a person. But now, there is trading worth lakhs and crores on its crypto exchange just like shares are traded on the stock markets.

Our financial systems are based on trust where the currency notes and coins have value in our society since they are guaranteed by the government and central bank. Currency notes will be reduced to an ordinary paper if it does not carry the signature of Central Bank's governor and holds no value without promise by the governor.

After the second World War, America became the most powerful country and the rest of the countries had to align their currency with the US dollar. Such US dollar was guaranteed by gold reserve. However, over a period of time, countries started minting their currencies. Therefore, the government and the banks especially, the Central Bank became powerful as far as monetary policy is concerned. When we deposit our money, we are giving permission to the banks which in turn would be given as loans to companies and individuals. It happens quite often that banks give loans to big industrialists without performing adequate checks and then these loans become bad debts/ NPAs.

Cryptocurrencies were born right after the investment bankers like Lehman brothers had become bankrupt. Satoshi Nakamoto imagined Bitcoin as an alternate financial system which would be based on software technology and would be outside the control of third parties. Bitcoin was the first to arrive. And many other crypticurrencies surfaced- Ethereum, Litecoin and Ripple.

All cryptocurrency transactions are recorded in a ledger in digital form. Those that run this system are called Miners where their job is to verify transactions. To complete the transaction, miners will have to solve a complicated mathematical equation. All these calculations are carried out on the computers automatically. The reward for carrying out in solving mathematical equations would be given cryptocurrencies. Once the equation is solved, the other computers within the network confirm it and the transaction will be added to the chain. A block of transactions gets created and hence, the technology is called block chain. Cryptocurrency value is determined by what someone is willing to trade for it.

Back in the year 2013, we find that there was lack of acceptance by the financial institutions which shut doors to its transactions. During the course of time, businesses have started accepting such transactions. In the western countries, there are several restaurants and hotels that have begun to accept such cryptocurrencies as an alternate form of payment. These are subject to high volatility and could become an opportunity for the investors to invest in the cryptocurrencies.

Research Design

2.1: Scope of the Study

The research is focused on emerging digital form of currency known as cryptocurrency. 100 respondents were given questionnaire from the various fields in Bengaluru. The study is focused on probable investments in cryptocurrencies, profits accruing out of such investments in cryptocurrencies. This investment is bringing change in the finance sector where there is a general acceptance.

2.2: Significance of the Study

The purpose of the study is to understand and determine whether investments to be made in a new era of digital currency, how secure these transactions are and how investments to be made since its value is determined upon willingness of the investors to make investments and also they are subject to high volatility.

2.3: Objectives of the study

- To analyze the growing trend of investments in cryptocurrencies
- To measure the profits made out of such cryptocurrencies
- To determine whether such transactions through cryptocurrencies are secure
- To understand its extent of volatility

Literature Review

3.1: Review of Literature

- **Cryptocurrency market analysis from the open innovation perspective Alexey Mikhaylov Journal of Open Innovation: Technology, Market and Complexity 6 (4), 2020**
  The paper focuses on the analysis of cryptocurrency open innovation market to predict sustainable growth in the future. It proposed the complexity approach to choose optimal technology using social activity in the internet, trading parameters, technical indicators and other cryptocurrency data.
- **A brief survey of cryptocurrency system U Mukhopadhyay, A Skjellum 2016**
  This paper surveyed and compared current mining techniques used by major cryptocurrencies. It evaluated strengths, weaknesses and possible threats to each mining strategy. Overall, a perspective on how cryptocurrencies mine, where they have comparable performance and assurance, and where they have strengths and threats are outlined.
- **An analysis of cryptocurrency industry R Farell- 2015**
  The cryptocurrency market has evolved erratically and at unprecedented speed over the course of its short lifespan. Since the release of the pioneer Bitcoin to the public in January 2009, more than 550 cryptocurrencies have been developed. The majority of it is singularly focused on Bitcoin rather than a more diverse spread of cryptocurrencies and is steadily being outpaced

Research Methodology

4.1: Source of Information

Primary Data: Primary data is the first-hand information obtained from the respondents which is more reliable and authentic. This paper uses Primary data which was obtained through self- administered questionnaire. It is done to understand the respondents' perspective about the emerging cryptocurrencies.

Secondary Data: Secondary data was obtained from sources which include online portals, website, journals, books etc. which helped in providing insights towards the study and also accurate one.

4.2: Sample Size

The sample collected is 100 individuals who acted as respondents collected from the various fields. The respondents included both male and female.

4.3: Instrument of Data Collection

The data collected is through questionnaire using google forms. A self- administered questionnaire was circulated using different platforms and responses were received. It consisted of close ended questions.

4.4: Sampling and Sampling Technique

Sampling is a technique where individual members of the population are selected to make statistical conclusions of the whole population. It helps in providing accurate data since it consumes less time.

4.5: Purposive Sampling

In this technique of sampling, researcher selects samples based on its discretion and on his knowledge. This paper uses purposive sampling for the study where 100 individual responses were collected from various fields in Bengaluru.

4.6: Data Analysis and Interpretation

Data analysis is drawing conclusions from the collected data. Interpretation is done using MS Excel represented in the form of pie charts.

Table 1: **Showing Gender Participation**

Gender	Percentage
Male	60
Female	40

Interpretation: 60% are male and 40% are female

Table 2: **Showing Occupation**

Occupation	Percentage
Student	67
Working	33

Interpretation: 67% are students and 33% are working

Table 3: **Showing awareness of cryptocurrencies**

Awareness	Percentage
Yes	51
Maybe	14
No	35

Interpretation: 51% say yes, 14% say maybe and 35% say no

Table 4: **Showing transactions through cryptocurrencies**

Transactions	Percentage
Yes	14
No	86

Interpretation: 14% say yes and 86% say no

Table 5: **Showing transactions are secure**

Transactions are secure	Percentage
Yes	22
Maybe	38
No	40

Interpretation: 22% say yes, 38% say maybe and 40% say no

Table 6: **Showing cryptocurrencies to be regulated by Central Bank**

Regulation by the Central Bank	**Percentage**
Yes	29
Maybe	29
No	42

Interpretation: 29% say yes, 29% say maybe and 42% say no

Table 7: **Showing cryptocurrencies subject to volatility**

Volatility	**Percentage**
Yes	30
Maybe	37
No	33

Interpretation: 30% say yes, 37% say maybe and 33% say no

Table 8: **Showing Investments in cryptocurrencies**

Investment	**Percentage**
Yes	35
Maybe	24
No	41

Interpretation: 35% say yes, 24% say maybe and 41% say no

Table 9: **Showing profits out of cryptocurrencies**

Profits out of Cryptocurrencies	**Percentage**
Strongly Agree	23
Agree	19
Neutral	28
Disagree	11
Strongly Disagree	19

Interpretation: 23% say strongly agree, 19% say agree, 28% say neutral, 11% say Disagree and 19% say strongly disagree.

Findings, Suggestions and Conclusion

Findings

- We find that there is a growing number amongst respondents who are interested in making investments in cryptocurrencies
- Respondents are of the opinion that profits can be made out of investments in cryptocurrencies
- There is an acceptance from the respondents which could become replace money with cryptocurrencies

Suggestions

- Investments to be made in cryptocurrencies with great concern due to the fact it is subject to volatility
- Since it is decentralised in nature, it is subject to scam cases. So accurate decisions should be taken

Conclusion

There is a growing trend of investments in cryptocurrencies. Bitcoin which was the first cryptocurrency started in the year 2009, now we find there are more than 15,000 cryptocurrencies which are traded on a daily basis. El Salvador has become the first country to accept Bitcoin and given a legal tender. Therefore, in the future, such cryptocurrencies could be made as a medium of exchange which can be used as a payment mode for buying and selling goods or services.