

IMPACT OF BITCOIN IN CRYPTOCURRENCY

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ABSTRACT

Crypto-currency, an encrypted, peer-to-peer network for facilitating digital barter, is a technology developed eight years ago.

The first and most popular, is paving the way as a disruptive technology to long standing and unchanged financial payment systems that have been in place for many decades. While crypto-currencies are not likely to replace traditional fiat currency, they could change the way Internet-connected global markets interact with each other, clearing away barriers surrounding normative national currencies and exchange rates.

Technology advances at a rapid rate, and the success of a given technology is almost solely dictated by the market upon which it seeks to improve. Crypto-currencies may revolutionize digital trade markets by creating a free flowing trading system without fees. A SWOT analysis of Bitcoin is presented, which illuminates some of the recent events and movements that could influence whether Bitcoin contributes to a shift in economic paradigms.

Key Words: Crypto-currency, financial payment systems, revolutionize digital trade markets.

INTRODUCTION

Meaning of Bitcoin - Bitcoin (BTC) is a cryptocurrency, a virtual currency designed to act as money and a form of payment outside the control of any one person, group, or entity, thus removing the need for third-party involvement in financial transaction. It is rewarded to block-chain miners for the work done to verify transactions and can be purchased on several exchanges. It was introduced to the public in **2009** by an anonymous developer or group of developers or group of developer or group of developers using the name **Satoshi Nakamoto**.

It has since become the most well-known crypto-currency in the world. Its popularity has inspired the development of many other crypto-currencies. These competitors either attempt to replace it as a payment system or are used as utility or security takes in other block-chains and emerging financial technologies.

KEY TAKEAWAYS

- ❖ Launched in 2009, is the world's largest crypto-currency by market capitalization.
- ❖ Unlike fiat currency, is created, distributed, traded, and stored using a decentralized ledger system known as a blockchain.
- ❖ Bitcoin and its ledger are secured by proof-of work(pow) consensus, which is also the "mining" process that introduces new s into the system.
- ❖ Bitcoin can be purchased via various crypto-currency exchanges.

❖ Bitcoin's history as a store of value has been turbulent; it has gone through several boom and bust cycles over its relatively short lifespan.

❖ As the first decentralized virtual currency to meet widespread popularity and success, Bitcoin has inspired a host of other crypto-currencies in its wake.

LEGAL STATUS, TAX AND REGULATION

The legal status of bitcoin varies substantially from country to country and is still undefined or changing in many of them. Regulations and bans that apply to bitcoin probably extend to similar cryptocurrency systems. Because of its decentralized nature and its trading on online exchanges located in many countries, regulation of bitcoin can be criminalized, and shutting down exchanges and the peer-to-peer economy in a given country would constitute a de facto ban.

According to the library of congress, an "absolute ban" on trading or using cryptocurrencies applies in nine countries: Algeria, Bolivia, Egypt, Iraq, Morocco, Nepal, Pakistan, Vietnam, and the United Arab Emirates. An "implicit ban" applies in another 42 countries, which include Bahrain, Bangladesh, China, Colombia, the Dominican Republic, Indonesia, Kuwait, and Taiwan. On 22 October 2015, the European Court of justice ruled that bitcoin transactions would be exempt from Value Added Tax.

REGULATORY WARNINGS

The U.S. Commodity Futures Trading Commission has issued four "Customer Advisors" for bitcoin and related investments. A July 2018 warning emphasized that trading in any cryptocurrency is often speculative, and there is a risk of theft from hacking, and fraud. In May 2014 the U.S. Securities and Exchange Commission warned that investments involving bitcoin might have high rates of fraud, and that investor might have high rates of fraud, and that investor might be solicited on social media sites. An earlier "Investors Alert" warned about the use of bitcoin in Ponzi schemes. The European Banking Authority issued a warning in 2013 focusing on the lack of regulation of bitcoin, the chance that exchanges would be hacked, the volatility of bitcoin's price, and general fraud. FINRA and the North American Securities Administrators Association have both issued investor alerts about bitcoin.

INDUSTRY PROFILE

Bitcoin is a cryptocurrency and worldwide payment system. It is the first decentralized digital currency, as the system works without a central bank or single administrator. The network is peer-to-peer and transactions take place between users directly through the use of cryptography, without an intermediary. Major cryptocurrencies rallied in March—a month that has historically been one of the worst of the year for Bitcoin (BTC)—overcoming negative headlines from the collapse of Silvergate Capital and U.S. regulators taking action against top crypto exchange Binance. Financial market volatility even caused the second largest stablecoin, USD Coin (USDC) to briefly lose its peg to the dollar in March. Looking ahead to April, crypto investors will be focused on ongoing liquidity concerns in the financial sector, additional regulatory developments, and the next batch of data on inflation and the labor market

March Crypto Performance Bitcoin prices briefly topped \$29,000 in late March before finishing the month at \$28,477, a 19.2% monthly gain. Ethereum (ETH) prices rose 9.7% in March to close out the month at \$1,829. Among the 10 largest cryptocurrencies by market capitalization, Ripple (XRP) was the best February performer with a 1.3% gain. Polygon (MATIC) was the worst performer, with a 9.8% loss. Crypto prices have been resilient so far in 2023 after both Bitcoin and Ethereum each logged their worst annual performance since 2018 last year. Following March's gains, Bitcoin prices are up 68.4% year-to-date, while Ethereum prices are up 49.2%. In March, the implosion of SVB Financial (SIVB), Signature Bank (SBNY), Silvergate Capital (SI) and Credit Suisse (CS) triggered widespread fears over the stability of the banking system. However, the banking crisis also dramatically shifted investor expectations for interest rates moving forward. A Federal Reserve

policy pivot could now be coming sooner than expected, news that has helped propel Bitcoin prices to their highest level since June 2022.

Crypto Banks Collapse Contagion from the downfall of crypto exchange FTX in November 2022 continued in March. On March 8, crypto bank Silvergate Capital announced it would be winding down its operations and liquidating its assets. The decision came after the bank's total deposits dropped from \$11.9 billion at the end of the third quarter of 2022 to just \$3.8 billion, forcing Silvergate to sell \$5.2 billion in debt securities at a heavy loss. Just two days after Silvergate announced it was closing up shop, the Federal Deposit Insurance Corporation (FDIC) announced it was seizing Silicon Valley Bank. SVB had roughly \$209 billion in total assets and \$175 billion in deposits as of the end of 2022. On March 12, New York state regulators shut down crypto bank Signature Bank, which had more than \$110 billion in assets and \$88 billion in deposits as of the end of 2022. In a televised address on March 13, President Joe Biden assured Americans that the financial system is sound and that all depositors at Signature Bank will get their money back.

Crypto Regulatory Crackdown "The biggest crypto story of March was the CFTC...suing Binance over the accusation that they are operating an unregistered securities exchange. This lawsuit is just one signal that the US federal government is going to continue cracking down on cryptocurrency custodians and exchanges," Weinstein says. In fact, the next major crypto target for U.S. regulators could be popular crypto exchange Coinbase (COIN). On March 22, Coinbase announced it had received a Wells notice from the U.S. Securities and Exchange Commission (SEC) notifying the exchange that it plans to take enforcement action against the company. The SEC said it believes Coinbase violated investor protection laws, but Coinbase said in a statement that it is "confident in the legality of our assets and services." **What To Watch In April** Ethereum prices could experience some volatility associated with its upcoming Shanghai upgrade, scheduled for April 12. The upgrade will be the final step in Ethereum's transition from a proof of work (PoW) consensus mechanism to a less energy-intensive proof of stake (PoS) consensus mechanism, and it will unlock ETH coins users staked last year to help secure the network during the transition. Rising interest rates were a primary catalyst for 2022's crypto winter, but the March banking crisis completely changed the market outlook for rates. The bond market is currently pricing in a 90.4% chance of a rate cut by December, down from just a 0.8% chance a month ago, according to CME Group. However, Ken Miller, senior advisor at Klaros Group, says investors shouldn't assume the 2023 crypto rally will continue in April.

"There are still liquidity issues in the market left over from Silvergate and other stuff, and when that's the case there can still be a ton of price volatility in the market," Miller says. "This could mean the March surge is not guaranteed to hold in a low liquidity environment, so investors should not get overly comfortable that the recent surge will continue or even hold." In the near-term, crypto investors will be monitoring the Labor Department's March jobs report on April 7 for any signs the tight labor market may be cooling.

Report Overview The global bitcoin market size was valued at USD 17.05 billion in 2021 and is expected to expand at a compound annual growth rate (CAGR) of 26.2% from 2022 to 2030. The growth is attributed to several advantages of Bitcoin such as cheaper and faster payments, less volatility, and also enables secure transactions. As a result, bitcoin can also be used as a store of value, other than as a medium of exchange for products and services across the globe. Moreover, with the emergence of Bitcoin, financial transactions no longer require central authorization and are settled immediately.

] Moreover, Bitcoin's rising popularity resulted in a proliferation of its clones. Litecoin is the first mainstream altcoin, it runs on the same code as Bitcoin. Litecoin aimed to become a faster and lighter version of Bitcoin. As a result, the market is fostered by other clones such as Bitcoin Diamond and Bitcoin Cash, and others. The majority of the altcoins values are aligned with Bitcoin's movement, hence expanding the scope of Bitcoin. Another factor contributing to the industry's growth is that Bitcoin has the most secure network owing to the proof-of-work

mechanism. It is corroborated by more than 18 million miners participating in blockchain, the decentralized network that underpins Bitcoin. The huge number of participants results in a high degree of network decentralization, providing the complete security of the Bitcoin payment system. Considering the security and other advantages, some regions such as El Salvador declared Bitcoin a legal tender in September 2021. COVID-19 Impact Analysis The outbreak of the COVID-19 pandemic is expected to play a vital role in driving the growth of the Bitcoin market over the forecast period. Bitcoin and Ethereum are utilized as alternative investments and appeared to outperform other assets while dealing with the negative impacts of the Covid-19 pandemic on stock markets. Moreover, as Bitcoin is an independent cryptocurrency, the outbreak has a positive impact on its values. As a result, Bitcoin can be viewed as a relatively better hedge as compared to other cryptocurrencies. End-use Insights The BFSI segment held the largest revenue share of over 32.0% in 2021. An alternate world of commerce, banking, investment, and speculation is being created by the developing digital currency market. This universe has the potential to significantly alter the global economy and disrupt several industries. The market for cryptocurrency finance is expanding quickly and is entering the conventional financial sector.

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For instance, in July 2022, a renowned bitcoin business, NYDIG, and Southland Credit Union announced their partnership. Southland will become the second credit union in the Southern California region to provide bitcoin buying and selling services. Southland Credit Union members now purchase, sell, and store bitcoin in a secure digital asset account via a fully integrated mobile banking function.

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