



Cryptoeconomy – Is it disrupting the Financial World?

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Before we delve into the topic, we need to understand what cryptoeconomy actually is. Cryptoeconomics describes an interdisciplinary, emergent and experimental field that draws on ideas and concepts from economics like game theory and related disciplines in the design of peer-to-peer cryptographic systems. Cryptoeconomic systems try to guarantee certain kinds of information security properties using incentives and/or penalties to regulate the distribution of efforts, goods and services in new digital economies.

Similarity of Cryptoeconomics with Traditional Economics

Traditional economic concepts regarding production, distribution and consumption of goods and services also apply to cryptoeconomics. For example, these include Adam Smith's three basic laws of economics: Law of Supply and Demand, Law of Self Interest, and Law of Competition. They also include more modern economic concepts, such as Fiat Money Theory and Modern Monetary Theory.

Similar to how traditional economics is divided into macroeconomics (regional, national, and international economics) and microeconomics (individual and enterprise economics) subdisciplines, cryptoeconomics can also be divided into crypto-macroeconomics and crypto-microeconomics subdisciplines. Crypto-macroeconomics is concerned with the regional, national, and international regulation of cryptocurrencies and decentralized finance (DeFi) transactions. Crypto-microeconomics is concerned with the individual and enterprise usages of cryptocurrencies and DeFi transactions.

Cryptocurrency

Since cryptoeconomy revolves around cryptocurrency we need to know about cryptocurrency. Cryptocurrency is a digital payment system that doesn't rely on banks to verify transactions. It's a peer-to-peer system that can enable anyone anywhere to send and receive payments. Instead of carrying physical money around and exchanged in the real world, cryptocurrency payments exist purely as digital entries to an online database describing specific transactions. When we transfer cryptocurrency funds, the transactions are recorded in a public ledger which is stored in digital wallets.

Cryptocurrency Examples

There are thousands of cryptocurrencies. Some of the best known include:

Bitcoin: Founded in 2009, Bitcoin was the first cryptocurrency and is still the most commonly traded.

Non-Bitcoin cryptocurrencies are collectively known as “altcoins” to distinguish them from the original and are given below



Source: freepik.com

Ethereum: Developed in 2015, Ethereum is a blockchain platform with its own cryptocurrency, called Ether (ETH) or Ethereum.



Source: cmcmarkets.com

Litecoin: This currency is most similar to bitcoin but has moved more quickly to develop new innovations, including faster payments and processes to allow more transactions.



Source: economicstimes.indiatimes.com

Ripple: Ripple is a distributed ledger system that was founded in 2012. Ripple can be used to track different kinds of transactions, not just cryptocurrency.



Source: craftbia.in

What Can We Buy With Cryptocurrency?

When it was first launched, Bitcoin was intended to be a medium for daily transactions, making it possible to buy everything from a cup of coffee to a computer or even big-ticket items like real estate. Even if it hasn't quite materialized and while the number of institutions accepting cryptocurrencies is growing; large transactions involving it are rare. Even so, it is possible to buy a wide variety of products from e-commerce websites using crypto.

How To Buy A Cryptocurrency?

Step 1: Choose a Cryptocurrency Exchange - The first step to buying cryptocurrency is to choose a cryptocurrency exchange. An exchange is a platform where we can buy, sell, and trade cryptocurrencies. There are several cryptocurrency exchanges available, but the most popular ones include WazirX, CoinDCX, and ZebPay.

Step 2: Register and Verify the Account - Once we have chosen a cryptocurrency exchange, the next step is to register and verify our account. To do this, we will need to provide some personal information, such as our name, email address, and phone number. We also have to upload a copy of our ID proof, such as our Aadhaar card or PAN card, and a selfie. The verification process may take a few days, depending on the exchange's policies. Once our account is verified, we can deposit funds into our account and start buying cryptocurrency.

Step 3: Deposit Funds - To buy cryptocurrency on an exchange, we need to deposit funds into our account. Most cryptocurrency exchanges in India accept deposits in Indian rupees (INR) through bank transfers and UPI payments. To deposit funds, we need to log in to our account and click on the deposit button. We will be given a bank account number and IFSC code to transfer funds to. Once the funds are transferred, they will be credited to our exchange account.

Step 4: Buy Cryptocurrency - Now that we have funds in our exchange account, we can buy cryptocurrency. To do this, we need to log in to our exchange account and click on the buy button. We need to select the cryptocurrency we want to buy and enter the amount in INR that we want to spend. The exchange will show us the current price of the cryptocurrency and the total amount of the purchase, including fees. Once we confirm the transaction, the cryptocurrency will be credited to our exchange account.

Step 5: Withdraw Cryptocurrency - Once we have bought cryptocurrency, we can withdraw it to an external wallet. An external wallet is a digital wallet that we own and control, and it is used to store our cryptocurrency. To withdraw cryptocurrency, we need to log in to our exchange account and click on the withdraw button. Enter the address of our external wallet and the amount of cryptocurrency we want to withdraw. The exchange will deduct the withdrawal fees, and the remaining balance will be credited to our external wallet. Once the transaction is confirmed, the cryptocurrency will be transferred to your external wallet, where you can store it securely or use it for transactions.

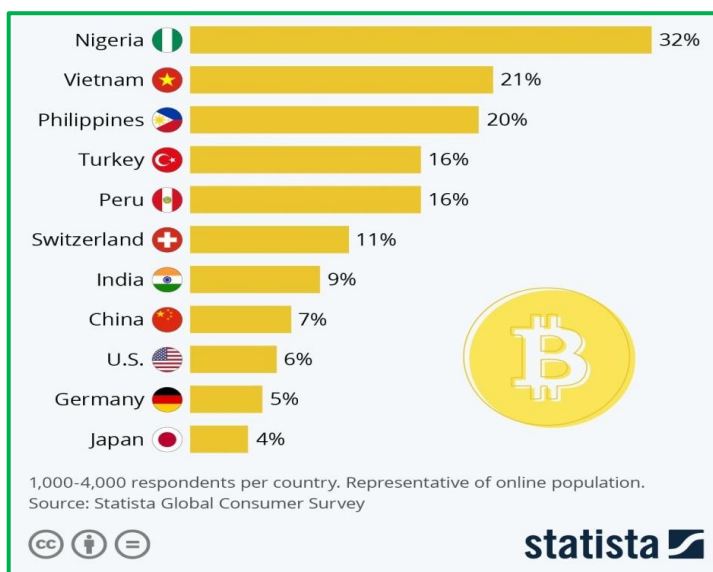
How Many Countries Have Adopted Cryptocurrency Till Date? According to Statista, it is estimated that people from 56 countries and territories worldwide from 2019 to 2023 have either owned or used cryptocurrencies.

Which Countries Were Found To Have More Owners Of Cryptocurrencies? Consumers from countries in Africa, Asia and South America were most likely to be an owner of cryptocurrencies, such as Bitcoin, in 2023. This conclusion was reached after combining 55 different surveys from the Statista’s Consumer Insights over the course of the year 2023.

Which Crypto Trader Ranked The Largest Cryptocurrency Exchanger In The World In 2022? According to Statista, Crypto Trader Binance ranked among the largest cryptocurrency exchangers in the world in 2022.

How Many Cryptocurrency Exchanges Are There? Right now, there are more than 230 cryptocurrency exchanges that support active trading for their clients. (coinmarketcap.com) While this might seem like a lot, the majority of cryptocurrency traders tend to flock to the most popular options, like Coinbase.

How Many Bitcoin Transactions Per Day Are There? Bitcoin experienced 330,000 transactions per day at the end of 2020, and in January of 2021, it reached 400,000.(statista.com)



How common is Crypto in different countries? Cryptocurrency adoption is growing around the world. As of 2023, the estimated global crypto ownership rates at an average of 4.2%, with over 420 million crypto users worldwide.

Do Cryptocurrency have the potential to change how the economy runs? Cryptocurrency may have the potential to disrupt our lives just as the internet and mobile phones did over the years. The objective of mobile phones was to allow people to stay communicated over a gap of kilometers. The internet came with the aim of sharing knowledge through a commonly accessible platform. Later both became a part of our lives and changed every aspect of our life, from alarm clocks to silent music for sleep. On the economic front, the cryptocurrency may potentially disrupt economies with its capacity to kill central banks. We can consider the example of the bitcoin network here. Firstly, Bitcoin cannot be double-spent since it is unique and secured via cryptography. Thus, we can spend the same bitcoin twice. Secondly, algorithms back the trust of bitcoin though it is decentralized. It means that unless nodes approve the transaction, the transaction cannot be included in the public distributed ledger of Bitcoin. Thirdly, it does not need an intermediary to produce and distribute the currency. Many central banks over the globe are adopting the elements of cryptocurrency to come up with CBDCs (Central Bank Digital Currencies). Thus, cryptocurrencies may have the potential to change how the economy runs.

How Cryptocurrency is Challenging & Changing Traditional Banking Systems? With the rise of cryptocurrency, traditional banking systems are facing a major challenge. Cryptocurrency is bringing about a digital banking revolution, one that promises to disrupt the existing financial infrastructure and create an entirely new system of finance. This new system is known as the cryptocurrency banking system. It is powered by blockchain

technology and offers users unparalleled access to financial services such as peer-to-peer payments, low transaction fees, and fast international payments. With this new system, banks and other financial institutions are trying to adjust their operations in order to remain competitive and stay ahead of the curve.

How will global investments be impacted? Due to the lowest level of correlation between the traditional market instruments and cryptocurrencies, these are held as assets and are treated as an effective tool for aggressive diversification. It hedges the portfolios against potential risks. It is the main reason for the rise in crypto transactions across various exchange-traded products. However, few experts believe that a crash in cryptocurrency will have a broader impact on the overall market. Cryptocurrencies are expected to be treated either as a speculation vehicle or as a hedging-support against inflation.

Conclusion

The future of cryptocurrency holds vast potential for disruption and innovation in the financial sector. While cryptocurrencies offer advantages such as decentralization, security, and accessibility, investors must know what is the market's volatility and associated risks. As the cryptocurrency ecosystem evolves, technological advancements, regulatory developments, and institutional adoption will play crucial roles in shaping its future. Embracing this digital revolution with caution and informed decision-making can unlock exciting opportunities for investors and contribute to transforming the global financial landscape.

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