Awareness on crypto currencies

What is the issue?

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The future of crypto currencies remains fairly undetermined, it may be wise to stay alert on the technology.

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What are crypto currencies?

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- The whole new genre of currencies based on cryptography technology and distributed computing is called crypto currency.
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- These crypto currencies do not have geographical borders or limitations.
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- Crypto currencies aim at minimising transaction charges or “taxes” associated with the transfer of funds by the removal of intermediaries who charge a fee to process transactions.
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- Transactions done globally can be completed in a few seconds with minimal costs compared to traditional financial systems.
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How Crypto currencies are generated?

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- Crypto currencies can be bought from various international exchanges using credit cards or other electronic means.
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- These can also be created by a process called mining, which means adding transaction records to the currency ledger.
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- Such records are added to the network in the form of blocks; each time a block is mined, miners earn a reward that subsequently reduces every time a

new block is created (Block chain technology).
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- Crypto currencies can also be mined using the computation power of an individual’s own computer or by joining a public mining pool and supplying their computation power to the pools in return for regular pay outs in the form of bitcoins.
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- Another option is cloud mining where organisations enter into contracts to manage the hardware, use data centres and processing power to mine bitcoins on behalf of the users in exchange for a fee.
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What is the most prominent type of crypto currency?

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- Bitcoins are most prominent type of crypto currencies, these bitcoins offers less investments with very high returns.
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- For an instance bitcoins worth $100 in 2010 are now valued over $70 million.
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- Previously invested bitcoins, have returns which are much higher as compared to the investments that were made in gold, stocks or any other high-value commodity.
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- Over the past seven years, bitcoins have grown exponentially as compared to other generic investment options available in the market.
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What are the risks involved with crypto currencies?

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- Crypto currencies have faced a few setbacks on their growth path as they typically operate in a volatile market
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- These are decentralised and cannot be controlled by a central bank, challenging traditional financial systems.
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- Fluctuations in price could result from mining groups refusing their cooperation to create crypto currencies, resulting in a high degree of uncertainty.
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- Difficulty in recovery of the crypto currency if the digital wallet is hacked.
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- There have been instances where hackers have deployed malware on high-end servers in large data centres to quietly mine for bitcoins.
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What is certainty of crypto currency investments?

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- Though there is no official statement regarding the usage of crypto currencies in India, many consider it a legal form of exchange.
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- Regular payments are made to the users throughout the tenure of the contract, with an average return on investment of about 220 per cent.
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- Maintaining profitability would require constant research, technology acumen and a calculative diversification of investments.
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- Investors must also consider the financial impact of the amount in consideration for investment to strike a balance between the amount and volume of risk taken for higher returns.
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Source: Business Standard

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