Concerns with Cryptocurrencies

What is the issue?

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In recent times cryptocurrencies are facing fundamental challenges, which ought to be resolved soon.

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What are cryptocurrencies?

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- Cryptocurrency is a digital or virtual currency designed to work as a medium of exchange.
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- It uses cryptography to secure and verify transactions as well as to control the creation of new units of a particular cryptocurrency.
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- Cryptocurrencies are limited entries in a database that no one can change unless specific conditions are fulfilled.
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- Cryptocurrencies are not issued by any central authority therefore they are immune to government interference or manipulation.
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- There are many cryptocurrencies in the market of which bitcoin is the most popular. Click here to more about bitcoins.
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What are recent concerns with cryptocurrencies?

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- The downward trend in the prices of cryptocurrencies after the peak is still continuing.
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- This trend is increasing fears of a regulatory crackdown by the

governments as there is no overall authority to help revive the investors trust over these cryptocurrencies.
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- Also there is the hurdle of lack of intrinsic value in the cryptocurrencies which makes it difficult for people of to accept cryptocurrencies as a medium of exchange.
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- Therefore, cryptocurrencies are mostly seen as a gamble and threat to the sovereignty of the government.
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What are the possible causes behind the crash?

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- The rise in cryptocurrencies experience increase in asset prices without any fundamental reason, these bubbles break over time and induce price crashes in the market.
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- The cryptocurrencies lack intrinsic value that is required for survival of any commodity.
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- This crash indicates that markets will eventually mark down the prices of assets that have no real value, to zero.
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Source: The Hindu

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