Chapter 9

Impact of Bitcoin on the World Economy: Opportunities and Challenges

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ABSTRACT

Bitcoin has brought a revolution in digital market. Bitcoin doesn’t follow any supervisory body or central authority to control it. Unlike any country’s currency, it is not supervised by a government. It flows on networks and is managed by decentralized actors. Like any other innovation, bitcoin also has pros and cons associated with it. In this chapter, the authors discuss all the opportunities and challenges related to bitcoin and its impact on the world economy.

WHAT IS BITCOIN AND ITS EMERGENCE

Bitcoin is a well known cryptocurrency running over network without direct interference of any authoritative body or any financial institution that is direct transfer from one party to other. It is also known as cash running over internet. The pseudo founder of bitcoin Satoshi Nakamoto brought this concept of virtual currency which is becoming very popular in fact it could be said that over the past few years, Bitcoins

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are gaining vital importance round the world. The system was developed with the thought of maintaining crypt proof to make possible direct transactions between two parties without the need of trusting the third one i.e. peer to peer transaction. In his paper, Satoshi Nakamoto has provided full description of Bitcoin (Nakamoto, n.d.). It is very obvious to feel the difference between functioning of the traditional currencies and Bitcoin and their impacts by the all type of financial institutions such as stock markets or any nation’s finance departments. So it is becoming needed to project the direct effect of popularity of Bitcoin in world’s economy. Here in this chapter we are discussing the same with possible aspects.

**Effect on Different Financial Institutions**

Though the effect of digital currency on the Global Economy is one of extraordinary discussion, it should be seen that how it is affecting different financial institutions in which manner; is it common for all or specific to the agency? Financial institutions may range from any country’s government finance department to stock market, online transfers to Banks and GDPs or anything which may affect economy directly or indirectly.

It is a well known and generally accepted fact that world economy principally depends on the US Dollar which is being treated as reserve currency for global economy. So any ups and downs in US market directly affect the world economy, year 2008 financial slowdown is a life-size example of it. This so called US Dollar based global economy is working in traditional manner that is following the governing authorities and trusting the third parties. The ever increasing popularity of Bitcoin is somehow looking as challenging to this legendary system (Unocoin, 2017; ACQUI Technology, n.d.).
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