

III B.Com (G) VI Sem
Sub: Financial Services
Topic: Digital currency

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WELCOME

Learning Objectives

By the end of the presentation the student is expected to learn the

- Meaning of digital currency
- Features of Digital Currency
- Types of digital currencies
- Advantages and limitations of digital currencies
- Digital currency in India



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- Introduction
- Meaning
- Features
- Advantages
- Limitations
- Digital currency in India
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Introduction

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- The governments have well established rules for creation and use of fiat money.
- Fiat money which is backed by government is now replaced by fiduciary money which may also be referred to as private money.
- This is also accepted as medium of exchange of economic value and is based on the willingness of the users to accept it.



- fiduciary currency derives its value entirely from trust and agreement of the parties using it.
- The greater the acceptance the more valuable is the currency.
- Many governments around the world recognize digital currency as private money.

Meaning

Digital currency is a type of currency which exists in digital form. Digital currencies include virtual money and cryptocurrency. Aggregate of computer-generated economic value exchange platforms is known as digital currency which entirely depends on computer based system eliminating intermediaries like banks.

Features of Digital Currencies

- i) computer generated economic value exchange
- ii) completely based on the mathematical algorithms
- iii) eliminates financial intermediation
- iv) implications on legal, regulatory and policy formulation
- v) crypto currency which is one of the forms of digital currency is not tied into economy of any one country

- vi) cryptocurrency can be exchanged to any physical currency
- vii) Has no intrinsic value
- viii) It has no physical form and can exist only in network
- ix) Its supply is not determined by the central bank and the network is completely decentralized.

Types of Digital Currency

virtual currency and crypto currency.

Examples of digital currency are bit coin, chinacoin, ether, dash, peer coin, primecoin etc

There are around 2116 crypto currencies globally as on date with total market capitalization of \$119.46 billion.



Advantages of Digital Currency

- i) cryptocurrency being decentralized does not rely on any one regulatory agency meaning even if the economy of a country crashes the digital currency will remain the same.
- ii) since there are no regulatory agencies to go through crypto currency eases the conduct of international transactions.

iii) privacy is maintained regarding the personal details of the participants.

iv) Transactions are irreversible

v) scope for mistakes is minimum since the transactions are conducted via complex mathematical algorithms.

Limitations

- It is not a legal tender money in many countries
- there is an argument that it will effect the sovereignty of the countries
- It may be used for wrongful purposes like money laundering, trading in drugs, human trafficking etc

- No proper regulation to deal with crypto currencies
- Countries like India do not have proper infrastructure to deal with crypto currencies
- People do not have enough expertise to deal with digital currencies
- Countries like China have banned the use of digital currency.

DIGITAL CURRENCY
was a choice,
Now it has become
A NECESSITY.



Digital currencies are not completely banned in India. However, the regulatory authorities have been continuously cautioning the users about the risks associated with the digital currencies. RBI announced to create Central Bank Digital Currency (CBDC) after realizing that cryptocurrencies would be the future trend of payment by centralizing the usage of cryptocurrencies. RBI has constituted a professional team to investigate the potential issues and feasibility of CBDC.

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THANK YOU