



Digital currency

Chelladurai C

Assistant Professor, Department of Commerce, V.H.N.Senthikumara Nadar College (Autonomous), Virudhunagar, India

Corresponding Author E-mail iD: chelladurai@vhnsnc.edu.in

Introduction

Digital currency or electronic money is any money like asset that is managed, stored or exchanged on digital computers over internet. Digital currency is similar to traditional currency but don't have physical form. In 1983 DAVID CHAUM introduced idea of digital currency. Digital currency is not typically associated with any country's government or represented in physical forms like the coins and notes of traditional currency, it is available in electronic form. Cryptocurrency is the most common category of digital currency. Digital currency maybe recorded on a computer database owned by a company or bank with digital files or stored value card.

Types of digital currency

- Cryptocurrency
- Virtual currency
- Central bank digital currency

Cryptocurrency

It is a digital currency, which is an alternative form of payment created using encryption it means cryptocurrencies functions both as a currency and a virtual accounting system. to use crypto currency wallet of cryptocurrency is required.

E.g.: Litecoin, Ethereum, ripple

Virtual currency

It is a value that functions as a medium of exchange, a unit of account, or a store of value in some environments it operates like a real currencies ie, coin and paper money. Types of virtual currency are centralized virtual currency e.g.: XRP and decentralized virtual currency

E.g.: bitcoin

Central bank digital currency

It is a currency issued by central banks rather than commercial banks. It includes digital tokens similar to cryptocurrency issued by central bank.

Advantages of digital currency

- Security
- faster payments
- 24/7 access
- cheaper
- save time
- Efficient government payments
- Transactions are verifiable by a vast peer to peer global network
- Transactions are irreversible
- Cost effective mode of transaction

Disadvantages of digital currency

- Hacking risk
- Prices can be volatile
- limited acceptance
- Understanding cryptocurrency requires time and efforts
- Lack of comprehensive regulations
- No reverse of payment and recovery
- Scams
- scaling issues
- black market

Purpose of digital currency

it helps in monetary transaction making it cheaper, faster. They can be used to purchase goods and pay for services. They can also be restricted among certain online communities such as social networks or gaming sites.

Features of digital currency

- It helps in Cashless economy; digital currency eliminates need of carrying cash
- Digital currency does not have physical equivalent it can be centralized or decentralized
- It is surrounded by legal frameworks
- Transaction directories is kept secret
- Stable pricing, strong cyber security

How a digital currency work?

Blockchain

Digital currency works in block chain networks, block chain is a technology on which all digital currencies are built blockchain protocol helps to create digital currency and used as forms of money it provides frame work for creating digital items it includes unique, non-repudiable, uniform and divisible. All digital currency is created and stored on their separate blockchain networks which is built using blockchain protocol.

Exchanging digital currency mining

The chance of fraud and manipulation are eliminated by blockchain protocol through the process of mining. Miners have responsibility of confirming transactions inside anew block so the block can be recorded on blockchain ledger.

Storing digital currency

Once digital currency is mined and transferred between users they must be stored until new users are ready to use them digital wallets are used for storing digital currency wallets are software capable of securing or storing digital currency for a period of time it has public key and at least one private key.

Conclusion

Cash placements are crucial in our day-to-day lives. Our world leaders will reduce operational, printing, distribution, and storage expenses, advancing the goal of a cashless world. Initiating digital currency will make the world move forward in the race for virtual currency.

Reference

Concept Note on Central Bank Digital Currency, Reserve Bank of India (RBI), October 2022