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The Future Of Digital Currencies And Their Impact On Financial System:

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Abstract: This paper is to study the significance of digital currency in the modern Era.
Digital money is any means of payment that exists in a purely electronic form.. It is accounted for and transferred using online systems. Digital money streamlines financial infrastructure, making it cheaper and faster to conduct monetary transactions. Bitcoin is often considered as first cryptocurrency. Digital Wallet is an application on an electronic device that stores payment transaction and allows to securely make purchases without carrying cash or cards. It was of great usage during COVID times. India is prepared to face such challenges in future making a cash free economy.

Key words: Digital Money, Digital wallet.

Objectives of study:

1.To know the impact of Digital currency especially during Covid.
2. To what extent it plays its role in daily transactions.
3. Is the life become easier and simpler?

Meaning: The term digital currency refers to a form of currency that is available only in digital or electronic form. It is also called digital money, electronic money, electronic currency, or cybercash. This means that there is no physical form. As such, it cannot be handled, stored, or manipulated. Consumers and businesses can use digital currencies to execute transactions and trades. Digital currencies are currencies that are only accessible with computers or mobile phones because they only exist in electronic form.Typical digital currencies do not require intermediaries and are often the cheapest method for trading currencies. **All cryptocurrencies are digital currencies, but not all digital currencies are cryptocurrencies.**

Literature review:

Innovation in finance and currency are interlinked; hence, digital currency is gaining popularity globally. Digital money generally represents currencies, such as dollars or euros. Instead of being physical money carried around and exchanged in the real world, cryptocurrency payments exist purely as digital entries to an online database describing specific transactions.It reduces the overall cost of operation compared to paper money. It is more environmental friendly, it means no cutting down of trees. Banks, Financial institutions and Government should come forward and work with giants like Google, Apple, Microsoft, etc.,to develop revolutionary secured transaction system using :Digital Currency". Digital money is not physically tangible, like a dollar bill or a coin

Electronic money system uses contactless payment transfer in order to facilitate easy payment and give payee more confidence.

Advantages

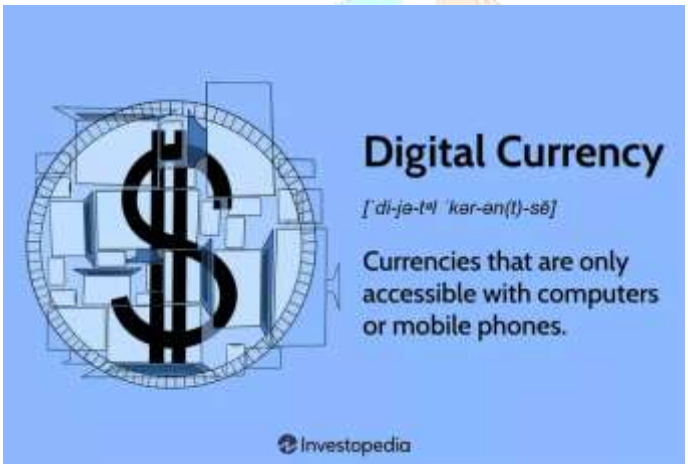
1. Digital currency transactions are processed by a decentralized network of computers, which means that there are no intermediaries.
2. Greater trust with the customers as their credit cards are not stored with the systems. Customers need not give credit card number. Only a temporary encrypted code for processing.
3. Digital community enthusiasts. They tend to do more business with those business that accept digital currencies.
4. With Bitcoin currency, there is no inflation due to controlled quantity limits and the algorithms in the system
5. The speed of processing transactions is completed within a few minutes. As payments in digital currency are made between the transacting parties without the intermediaries.
6. Establishment of physical manufacturing are absent in digital currencies.
7. Digital currencies are decentralized which means they are not controlled by Government or Financial institutions. The control over digital currency is wide spread over a broad range of users.
8. Transactions with digital currency are not linked with personal data, users are given a high level of privacy.
9. Anyone with an internet connection can use digital currencies from anywhere in the globe. Digital currencies could facilitate cross-border transactions, making international trade more efficient and less costly.
10. Faster payments, 24x7 availability, improving the efficiency of the settlement system, and facilitating cross border payments.

Bitcoin is a digital Asset and a payment system invented by Satoshi Nakamoto.Bitcoin is far from popular catching the craze of more than 6 lakh users in the country. The transactions are verified by network nodes and then recorded in public distribution ledger called the block chain. The ledger uses Bitcoin as its unit of ledger.

Types of Digital Wallets:

There are several digital wallets available. Here are some of the most well-known:

- Cash App
- Apple Pay
- Google Wallet
- Samsung Wallet
- PayPal
- Venmo
- AliPay
- Walmart Pay
- Vodafone M-PESA



Most makers of digital wallets place age restrictions on young users. For example, if you're not yet 18, you can't open your own Apple Pay account; however, Apple does offer "Apple Cash Family," where children or teens as part of a family can send or receive money with Messages and Wallet and make purchases with Apple Pay. Parents would need to create and authorize this from their own accounts.Central Bank Digital Currency (CBDC) is one such avenue that aims to help central banks facilitate financial services widely. Launching the e-Rupee in India would also mean taking a step towards a digital economy, given the rise in the adoption of mobile and internet-based payments, besides improving the cumbersome cross-border transaction process.

As of recent reports in 2024, the number of users of digital currency, particularly cryptocurrencies and digital payment systems, has seen significant growth. Estimates suggest that there are around 20-30 million cryptocurrency users in India alone.In India, digital payment platforms like UPI (Unified Payments Interface) have seen explosive growth. As of late 2023, UPI had over 300 million users, facilitating billions of transactions monthly.

Technology behind digital currencies-Blockchain

Blockchain is the future of the finance industry which will revolutionize financial dealings in the times to come. A blockchain is a digitized, decentralized, public ledger of all cryptocurrency transactions. Blockchain Technology is also named "The Trust Machine" as it allows people having no confidence in each other to collaborate without intervention of central neutral authority (The Economist, 2015). Through this technology, market participants can keep track of digital transactions without central recordkeeping which can be downloaded automatically by each computer connected to the network. Digital currency will do financial transactions what an email does for communication. As a result, it is expected that it will bypass the centralized financial infrastructure in its entirety. It is expected that block chain technology can reduce costs in cross border transactions and in securities trading. Blockchain technology can function at two levels:- Private blockchain, where banks become the custodian of cryptographic keys, and public blockchain, where each participating user acts independently. Currency in a digital Blockchain, also known as Distributed Ledger Technology (DLT), converts & stores format to make transactions secure. Globally, central banks typically use "permissioned" blockchain network implications in which the participants are limited and must be granted access to participate in the network and view the set of transactions. On the other hand, well-known cryptocurrencies like Bitcoin and Ethereum use "permissionless" blockchains, allowing public participation and complete transparency of transactions.The attitude of countries regarding adoption of digital currencies is different irrespective of their economic conditions. Although there is greater interest manifested in digital currency, many countries still refrain from implementing it due to limitations like security, availability of technology, adaptability, legal issues, role of central bank etc.

The expansion of the Unified Payment Interface (UPI) in the country reflects its capacity to create a top-tier payment infrastructure from ground zero. The UPI system has established a national open standard that over 550 banks have adopted as of January 2024. The interface also facilitates seamless operations for global entities like Google, WhatsApp, Walmart, Amazon, and Uber. For instance, while booking a cab, the user can pay for the service through a cashless medium without using their bank account details in real- time. QR codes are quick response codes which have matrix barcodes that store information. You use your device's camera and the wallet's scanning system to initiate payment.

The demonetization of currency in the year 2016 by the Modi government revolutionized the movement towards usage of digital payment methods in India. Though it was a strenuous decision for a country like India where 90% of the transactions are in cash, people adopted digital mode of payments in a short span of time. The adoption of digital methods for payments is facilitated by a phenomenal increase in ownership of smart phones and presence of user-friendly payment modes like PAYTM and BHIM UPI. Precautionary cash holding during COVID-19 and the anonymous nature of cash transactions led to a rapid increase in cash usage during 2021–22. The introduction of CBDC with conditional anonymity will boost cashless transactions and thus be a step towards promoting a cashless economy.

Findings:

For some, the shift to digital currency may seem daunting due to a lack of familiarity with technology or access to necessary devices and the internet.Overall, while many are enthusiastic about the simplifications and benefits that digital currencies can bring, ongoing education and robust security measures will be crucial in addressing concerns and enhancing acceptance. Many see digital currency as a vital part of the future financial landscape in India, believing it will drive modernization and economic growth.

Conclusion:

Digital currencies are an integral part of fintech revolution which will impact many areas including payment & settlement systems and services. The concept of digital currency will emerge and disrupt the existing processes and systems. India's future with digital currency will likely be shaped by technological advancements, regulatory developments, and changing consumer behaviors, paving the way for a more digital and inclusive economy.

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