

# [Digital currencies when creating them. for instance,](https://assignbuster.com/digital-currencies-when-creating-them-for-instance/)

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Digital Currencies andrapidly Developing Technology            Technology is modifyingvital activities across the globe. Technological advancements have enhancedproduction, transportation, education, and communication efficiency. Althoughthe impacts of technology in the commercial sector have been phenomenal, someof these effects have introduced legal complications and ethical issues.

A goodexample of such a technological advancement is the emergence and rapid growthof digital currency. Digital currency is a medium of exchange that is purelyelectronically based 1. In this respect, digital currency is only availablein a digital form, unlike the conventional national currencies that areavailable in physical forms such as banknotes and coins. Commonly, most people refer to digitalcurrency as electronic money. Recently, there has been an emergence of a newform of digital currency known as cryptocurrency. Cryptocurrency is a digitalcurrency that has a security feature, which uses cryptography to protect itfrom being forged 2. Cryptocurrencies include digital currencies such asBitcoin, which is the most popular.

Others include Litecoin, Namecoin, Swiftcoin, Peercoin, and Emercoin. In practice, digital currencies are privatelyissued electronic units that circulate on the internet 1. It is crucial tonote that this form of currency is not a legal tender.

Therefore, it is notcontrolled by nations’ central banks.  Consequently, digitalcurrencies do not have a specific unit value. Each digital currency has aunique value attached to it by its creators. Digital currencies’ operatorsattach physical assets to digital currencies when creating them. For instance, renowned assets such as gold, silver, and dollars back these electroniccurrencies 1. However, some digital currencies such as Bitcoin are backed bycomputer processing power. The concept of digital currency was implemented intothe financial markets due to its efficiency in transaction and security.   The emergence of Bitcoin in 2009 increased thepopularity of digital currencies.

Then again, Bitcoin is not the first type ofdigital currency. In fact, the history of digital currency dates back to 1983when researcher David Chaum proposed the ideology of digital cash. To market hisideas, Chaum created a company called Digicash, which specialized in electroniccash. After this initial suggestion, it took more than a decade for individualswith or without prior banking experience to introduce a new digital currencyinto the consumer market 1.            Theemergence of Bitcoin in 2009 refined the idea of digital currency. Bitcoinintroduced a unique security feature that utilized cryptography technology towarrant its security. This distinctive security feature makes cryptocurrencyhighly secure.

This security feature enables dealers to trade using digitalcurrencies anonymously. The anonymous trading of digital currencies raisesethical, policy, and security issues. With their rapid rise to fame, there areuncertainties on the future of digital currencies.

This paper evaluates howadvancements in technology have promoted the growth of digital currencies. Additionally, it assesses the impacts of digital currencies on the financial sector and thefuture. To address these objectives, this paper hypothesizes that technologyhas significantly contributed to the growing use of digital currency, therefore,  enhancing transactionefficiency in the commercial sector. Related WorksTechnologyand the Growth of Digital Currency             Technology played aninfluential role in the emergence and growth of digital currency 3. Communication technology such as the internet facilitates the existence ofdigital currency. Digital currency exists in electronic form. For that reason, technology is instrumental in the creation and survival of digital currencies. Moreover, information technology is vital in fostering effective and secure communicationchannels between digital currency traders 3.

Informationtechnology advancements in the last few years led to a substantial increment inthe number of digital currencies in the global commercial sector. In particular, the improvement in networking and mining technologies played a significant rolein the spread of cryptocurrencies 4. In reality, modern digital currenciesrequire not only an advanced technological platform but also a secure one. Dueto the high financial value attached to the modern decentralized digitalcurrencies such as Bitcoin, they have become prime targets of cyber-attacks5.

Because of this vulnerability, the current high-value digital currenciessuch as Bitcoin utilize an advanced technology known as blockchain 6. Thistechnology creates a secure platform, ledger, and database where digitalcurrency traders store and exchange values without intermediaries such as banksor governments.  Impact ofDigital Currency on the Commercial Sector             The effects of digital currency on theglobal commercial sector are contentious. However, it has introduced a newdimension of conducting commercial activities that are efficient and cheap 7. Digital currencies promote the provision of digital banking services andelectronic transfer of money.

These electronic banking and money transferservices are cheap, efficient, and fast. Moreover, digital currencies such as Bitcoinhave proved that it is possible to transact online safely and securely withoutbeing traced. In this respect, the existence of digital currencies serves as amodel of enhancing service delivery in the conventional financial sector 8. The survival and success of digital wallets such as Apple Pay are instrumentalin directing the adaption of new payment measures in the contemporary bankingsector.             However, the prevalence of digital currencies has introduced complications in the globalcommercial sector. Particularly, the use of decentralized digital currenciessuch as Bitcoin has already introduced an economic policy crisis. The use ofdecentralized digital currencies for commercial activities weakens central banks’abilities to control economic policy, and money transfers 9 10. The Futureof Digital Currency             Digital currency facesthe same survival uncertainties that the internet faced when it was created.

When the internet was launched, a significant percentage of people believedthat it would not last long. To their surprise, the internet continues toadvance. Just like the internet, digital currency is here to stay. In fact, there is a possibility of this type of currency replacing conventionalbanknotes and coins as the primary unit of commercial transaction 11. The present-dayworld relies heavily on technology. The close connection that exists betweentechnology and digital currency serves as its safe-path to the future 12. However, the realization of this forecast depends on the implementation ofeffective policy measures to regulate and monitor the use of digitalcurrencies. Methodology            This study utilized aqualitative research method entailing a content analysis of scholarly sourcesrelating to the topic of study.

However, before conducting the data search ofthe scholarly sources, a comprehensive background research was conducted togain insight on the critical issues and terminologies required to complete thisstudy. This background study entailed reading recent articles on digitalcurrency on the internet. This background study was instrumental in developingthe study objectives, hypothesis, and the subsequent literature research. Thescholarly sources used in this study were subjected to a well-structuredinclusion criterion.

Firstly, this study only used scholarlymaterials published from 2015 onwards. The use of contemporary scholarlyinformation ensures that the study utilized recent insights from experts toaddress its objectives and hypothesis. Secondly, the study utilized keywordssuch as digital currency, bitcoin, financial policy, and blockchain technologyin its search process. These keywords were instrumental in streamlining the databasesearch process. They ensured that the materials obtained were within the scopeof the research objectives and hypothesis.             Subsequently, the scholarly materials were classified into three pools. The first poolentailed sources that focused on the relationship between technologicaldevelopments and the rapid growth of digital currency. The second group focusedon the effects of digital currency on the global commercial sector.

Finally, the last group of scholarly resources focused on the future of digitalcurrency.             Afterconducting this process, ten scholarly sources entailing books and articleswere selected. Each of these sources was then critically analyzed based on thesub-section of the study it addresses, and its findings and conclusion noted.

The deliberations of all the ten sources were analyzed and used to test theresearch objectives and hypothesis of this study. Subsequently, the findings ofthis analysis were then used to structure the discussion and conclusionsections of this study. Results and Discussion            Technology plays an influential role inthe continuing rise in popularity of digital currencies.

Currently, the termdigital currency is synonymously used to refer to cryptocurrency. However, itis essential to note that cryptocurrency is one of the many types of digitalcurrencies that exist today 1. Regardless of their diverse natures, alldigital currencies rely on technology for their existence. The dependency ontechnology separates digital currency from the other conversational currenciessuch as banknotes and coins, which are produced and managed by the government throughthe central bank.             Thecontent analysis revealed that each digital currency, centralized ordecentralized relies on a specific form of information technology. It was alsonoted that the decentralized forms of digital currencies such as cryptocurrenciesor what is referred to as virtual currencies utilized an advanced form oftechnology compared to the rest. The advanced technology is vital in ensuringthat all the transactions are conducted anonymously. In fact, it wasestablished that it is impossible to trace cryptocurrency traders.

However, this trade is highly secure from fraudulent acts such as double-transactions, which are witnessed in the digital banking activities of conventional bankingsystems. For instance, Bitcoin uses blockchain technologies that are difficultto monitor.             Additionally, it was noted that most of the digital currencies emerged in the early 21stcentury. During this period, the world experienced intensive research, innovation, and advancement in information technology systems.

It is logical toargue that this intensive development of information technology facilitated thecreation of digital currencies. As the information technology improved, moredigital currencies emerged. For instance, the emergence of Bitcoin in 2009 promptedthe arrival of what experts term as altcoins. Altcoins are alternatives toBitcoin and include cryptocurrencies such as Litecoin, Ethereum, and Zcash. Forthat reason, a positive correlation exists between the spread of digitalcurrency use and technological advancements.             Furthermore, this study established that digital currency usage positively affects theglobal commercial sector. Digital currencies enhance financial transactionefficiency. They also support the growth of e-commerce through providing stableand secure payment options.

Digital currencies destroyed the transactionbarriers that were imposed by national currencies. For instance, customers hadto convert their local currencies to international currencies such as the Euroor the United States dollar before making an international payment. However, digital currencies have eliminated these transactional barriers by embracing auniversal perspective. In a survey conducted by Statista 2016, 90% of theresponding banks admitted that they were interested in using blockchain or distributedledger technology in payments, therefore, suggesting the long-term use ofdigital currency. The findings of this survey are illustrated in the figurebelow.

Source: https://www. statista. com/statistics/647935/blockchain-distributed-ledger-bank-interest/            Inrecent times, there have been efforts to regulate the use of digital currenciessuch as Bitcoin. As witnessed in the content analysis, nations hold differingopinions on the legality of decentralized digital currencies. For instance, China illegalized trading using Bitcoin. In contrast, the United States allowedBitcoin trade despite subjecting it to taxation policies. The advancedtechnology employed by most digital currencies lowers the ability of thecentral bank to regulate their use through economic policies. A significantpercentage of economic players maintain that the widespread use of digitalcurrencies will affect the global economy adversely 9.

However, there are professionalswho argue that policymakers can apply the advanced technology used by digitalcurrency to formulate effective financial policies 11. In this regard, thecommercial sector, particularly the banking industry needs to imitate the keyattributes of digital currencies to enhance its services 8.              Differingopinions exist on the long-term fate of digital currency. Some people arguethat digital currencies will not last while others claim that they are thefuture of the global currency. Amid these debates, this study observed that thefuture of digital currency is promising.

Actually, there is a possibility ofdigital currencies replacing national currencies in the future. Thisobservation is based on two perspectives. Firstly, it is based on the closerelationship between technology and digital currency 7 8 10. Secondly, itis founded on the argument about globalization effects 5. On the firstperspective, there is a close relationship between technology and digitalcurrency.

As technology improves, so does the use and popularity of digitalcurrency. The present-day society relies on technology for most of itsactivities ranging from production to commercial transactions. For that reason, there is a likelihood of the commercial sector favoring digital currency overconventional currencies due to the efficiency entailed in its transaction.

Secondly, globalization is increasingly eliminating national barriers tointernational trade. It has increased the interconnection between nations. Thus, countries willprefer to use neutral currencies in their trading activities. This move willfavor the utilization of digital currency. However, for this move to materialize, there is an urgent need to revise the current financial policies to align themwith the ongoing technological advancements. In fact, the current inability ofthe financial policies to regulate digital currencies is a sufficient proofthat the laws need revision. With improved laws, digital currency is a moreefficient tool for commercial transaction compared to the conventional nationalcurrencies due to its universality and transaction efficiency. ConclusionThe contemporary societyrelies on technology in all of its activities.

The enhanced reliance on technologyhas spread the use of digital currency. Although this use has not been adoptedin the formal sector, e-commerce activities are actively promoting thepopularity of digital currencies. Then again, the effects of the growing use ofdigital currency on the commercial sector are unexploited. After conducting a comprehensivecontent analysis of the relationship between digital currency, technology, andthe commercial sector, this paper concludes that a positive correlation exists betweentechnological advancements and the increasing use of digital currency. The reviewed scholarly materials revealed thatdigital currency requires a stable and secure technological foundation tothrive. Moreover, the increasing use of digital currencies such as Bitcoin isbeneficial in improving the inefficiencies of the existing financial policies. The inability of the current financial policies to regulate the use of digitalcurrency motivates policymakers to develop comprehensive policies thataccommodate the technological changes that are modifying the financialindustry. Finally, it is plausible to conclude that the use of digital currencyis likely to increase in the future.

This view is based on a thorough analysisof the relationship between digital currency, technological advancements, andglobalization effects. Nations should develop policies that promote the use ofdigital currency because it provides an efficient and secure means of financialtransaction.