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Are cryptocurrencies the way of the future?



In a world when everything seems to be going the virtual way, why not virtual currencies? As it happens, cryptocurrencies have been in existence for quite some time and many believe they are the future of currency. The market value is proof of this.

At present, Bitcoin is the most popular, highest valued and most secure type of cryptocurrency. It was the first cryptocurrency introduced in 2008-2009 as a decentralised instrument that can be created and used in transactions without an intermediate bank-like financial institution.

Bitcoins were specially designed to overcome problems faced with traditional currencies. Various decentralised servers, also known as miners, secure the transactions. Mining is the computational effort of a cryptography proof of work, which confirms a transaction on the network, which, in turn, results in virtual coins as a reward for the miner. When a transaction occurs it is instant and final, there are no potential bank charge backs or any extra fees. Unlike various physical currencies where there is no money trail, these currencies have a ledger, which is updated after each transaction so that you will know exactly whose hands these currencies have gone through.

The generation of Bitcoins and the speed at which they can be created are algorithmically controlled and can't be unlimited as there is only a fixed amount that will exist, which is said to be immune from inflation. A person can have one or more virtual currency addresses from which these virtual currencies are sent or received in a virtual 'wallet'. Cryptocurrencies can be traded from wallet to wallet instantly, no matter where you are in the world, without any handling or international fee.

Other currencies

In the early days of Bitcoin, the currency was seen as something fun or experimental by 'techies'. In 2010, on the main Bitcoins forum, a 25\$ pizza was sold for 10,000 Bitcoins. Now in October 2013, 10,000 Bitcoins equals more than 1 million USD. There are various other currencies similar to Bitcoin such as Litecoin, Freicoin, PPCoin, NameCoin and Feathercoin which are in circulation. Each of these currencies differs in the way they are created and authenticated.

Litecoin, for example, uses Scrypt algorithm for authentication, which is memory- and processing centric. It appears that this may be the virtual currency that could be only second in popularity to Bitcoin. Litecoin was designed to be GPU/FPGA/ASIC resistant by utilising a more difficult cryptography function called Scrypt. However, despite that, mining for Litecoin is majority GPU mining. Specialised mining hardware for Litecoin is also being researched and developed by U.K. technology firm Alpha Technology in partnership with Indian Embedded Design House, Dexcel Electronics Designs. The success of this program would, in effect, be the first-ever specialised hardware manufactured for Litecoin mining.

India, a potential hotspot

India is a potential hotspot for growth of cryptocurrencies and the community. It seems the cryptocurrencies user community in India has quite a strong base, exceeding 50K in number. But the regulatory body such as RBI seems far from regulating or accepting it.

However, this has given an opportunity for the cryptocurrency community in India to expand, develop cryptocurrencies-related businesses in the space, and educate people on the opportunities for economic growth associated with cryptocurrencies.

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