



We have to use Bitcoin Yes or No

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ABSTRACT

Bitcoin is a form of digital currency or cryptocurrency. Digital currencies provide alternative means of payment for diverse commercial and personal transactions. They facilitate discreet payments because out of the realm of government regulations. Digital currencies are popular with libertarian people who detest governments' participation and involvement in the regulation and supply of money (Kaplanov, 2012; Moore, 2013). Bitcoin falls under private digital currencies and has gained acceptance and popularity worldwide, with millions of transactions taking place every month. Satoshi Nakamoto, an unknown entity, launched Bitcoin in 2009. The currency facilitates electronic payments for purchases of goods and services. Presently, many merchants across the world accept payment in Bitcoin.

Bitcoin emanated from advancements in the transference, confirmation, and storage across distributed networks. Distributed networks are independently controlled computers outside the realm of formal government structures, policies, and monetary systems (Glaser, Zimmermann, Haferkorn, Weber, & Siering, 2014; Nakamoto, 2008).

Key words: Bitcoin, Cryptocurrency, Digital, Transactions, Demand, Government, Regulations

Bitcoin confers people the freedom to conduct transactions unobtrusively. It falls outside the mainstream financial system that governments' control allowing users to conduct business inconspicuously. This hastens innovation and reduces bureaucratic bottlenecks that traditionally constrained and complicated business (Velde, 2013). Bitcoin is also cheaper to use for varied business transactions. Users can circumvent the costs payable to intermediaries in the financial system such as banks and credit card companies because it does not involve payment of fees. People can also use Bitcoin to conceal their earnings from governments, evading the payment of taxes (Dwyer, 2015). Further, Bitcoin is reliable because it depends on real time exchanges of value compared to normal currencies that depend on peoples' faith in the central banks of the issuing nations (Chuen, 2015). Bitcoin transactions leave a verifiable trail, which details all transactions and ascertains accountability among users. They protect users from issues such as currency manipulation and opaqueness in currency dealings within governments.

Bitcoin has many drawbacks and disadvantages. For example, it is unstable and its users are vulnerable to fluctuations in value. Because of these shifts in value, it has limited application as a store of value (Dwyer, 2015). Usage of Bitcoin is also risky because some parts of the Bitcoin system are susceptible to hacking. Governments also warn that the system provides an avenue for making and receiving payment for illicit

activities. Moreover, the system is at a nascent phase, and exposes users to unknown threats and vulnerabilities that may emerge (Velde, 2013). These unknown risks expose users to theft of currency from their digital wallets. At the same time, only a limited number of businesses accept payments in Bitcoin, limiting their applicability in global trade. Another drawback of using Bitcoin is that many conventional payment systems such as Apple Pay and Google wallets do not support payments in Bitcoin, restricting the possible number of transactions that individuals and business can conduct using the currency (Moore, 2013). The total number of Bitcoin currency in circulation is also limited in value compared to fiat currency, signifying a limitation in the number of transactions that they can support.

Companies that accept payment through Bitcoin face increased regulatory scrutiny and inspection over suspicions of engaging in black market activities (Nakamoto, 2008). Storing currency in the form of Bitcoin is risky because the value can fall when demand falls and many people cash out on their currencies. Potential programming mistakes and security concerns can also result in stagnation of the currency's value. Private and unregulated monetary systems also expose users to losses because they lack recourse in the case they incur losses or breach of contract (Grinberg, 2012). This is an omnipresent possibility and cases abound where service providers dealing in Bitcoin have committed fraud against their clients.

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Prospective Bitcoin users download and install the Bitcoin network application. Bitcoin can be stored in internet wallets from where users use them to make purchases. Users can also convert them to conventional currency through currency exchanges. Upon exchanging Bitcoin for traditional currency, the money moves into their virtual wallets. The conversion rate for Bitcoin varies depending on demand and supply. They can also transfer money to other users' virtual wallets through peer-to-peer exchanges. People can also purchase Bitcoin from physical Bitcoin kiosks (Bonneau, Miller, Clark, Narayanan, Kroll, & Felten, 2015). In this case, they deposit conventional currencies and the automated tellers send Bitcoin to their accounts.

Bitcoin safeguards users' privacy and does not require them to present physical identification documents for verification. Instead, they receive a unique code, which they use to access their personal accounts in order to make transactions. Market forces of demand and supply are the principal drivers of Bitcoin value. Moreover, uncertainties abound the nature of future government regulations concerning the use of digital currencies such as Bitcoin (Antonopoulos, 2014). Adverse laws and regulations may constrain its future growth and application. Governments and state financial regulatory bodies have also issued warnings to the people about the potential risks associated with Bitcoin investments.

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