

Influence of Crypto currency on Select Global Currencies – A Study

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Abstract

A huge digital ecosystem of entrepreneurship and exchange has sprung up with Bitcoin's digital infrastructure at its core. Crypto currency is expected to be the upcoming technological system, where transactions are done using crypto currency and they might change the future finance. The present study has been emphasized on how crypto currencies influence the global currencies with the help of Bitcoin data from the secondary sources from the period 2010 to 2018. The study considered Euro, Canadian Dollar, Swiss Franc, Japanese Yen, British Pound, and Swedish Krona based on Dollar Index. The Bi-variate correlation has been used to analyze the relationship between Bitcoin and the select global currencies. The Ordinary least square (OLS) method has been used to study the impact of Bitcoin on the select currencies and the ARCH model shows the influence of Bitcoin volatility on the volatility of the selected currencies. The observations of the study will help understand whether the Bitcoin impacts the traditional currencies.

I. Introduction

IN THE YEAR 1983 David Chaum, the American cryptographer, invented anonymous cryptographic electronic money (Currency), known as "ecash". Later, in 1995, it was implemented through Digicash that is used to make electronic payments. Bitcoin, the first crypto currency was created by Santoshi Nakamoin the year 2009 as a Peer-to-Peer Electronic Cash System. After in the year, 2011 Litecoin was formed. After introducing Bitcoin, around 1500 coins were created and today nearly 600 are actively traded.

Cryptocurrency is a digital currency that is designed to use as a medium of exchange. It is used to buy goods and services. Crypto currency uses strong cryptography to protect financial transactions and control the generation of the extra units. Crypto currency enables faster transfer of funds by charging minimal costs. These days, the crypto currencies are becoming popular, and many people are investing in them.

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select currencies and it was observed that except Euro and British Pound all other currencies are having a positive relationship with Bitcoin. Further, Ordinary Least Square has been used to determine the influence of Bitcoin on the select currencies and the result shows that the impact of Bitcoin on the select currencies is insignificant. The ARCH model depicts that the volatility of the select global currencies is not affected by the volatility of Bitcoin. From the above analysis, it can be concluded that the select global currencies are not affected by the Bitcoin. It is evident that there is a dire need for regulation for the crypto currencies so that the global economy will be strengthened with the faster movement of the liquidity between the countries. Further, can be extended by considering the economic factors to analyze the influence of Bitcoin on the traditional currencies.

9.1 Limitations of the Study

- i. The study considered only six currencies i.e., Euro, British Pound, Canadian dollar, Japanese yen, Swiss franc, and Swedish krona. Further, the study can be done by considering other currencies to know the impact of Bitcoin.
- ii. The Bitcoin has been used since 2008. But, the data considered for the study is from 2010 to 2018 because of the non-availability of Bitcoin data before 2010.
- iii. The study considered only Bitcoin effect on traditional currencies. But, the volatility of currencies can be affected by many other factors. The result may differ if other factors were considered.

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