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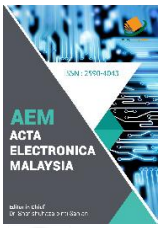


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*SHORT COMMUNICATION*

# DIGITAL CURRENCY AND ITS IMPACT ON INDUSTRIALIZATION

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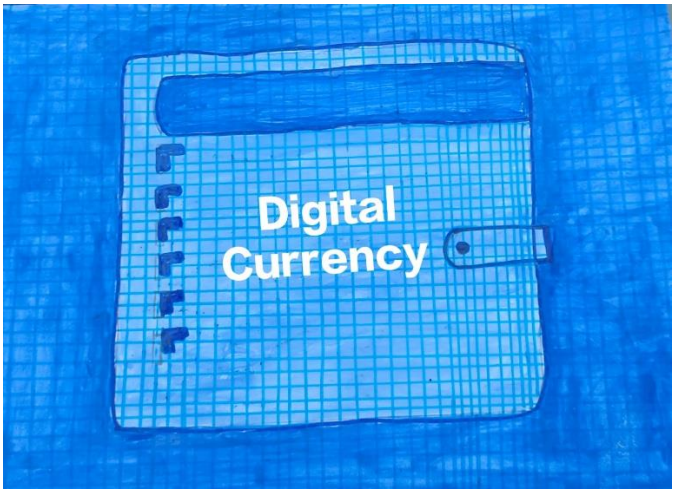
## 1. INTRODUCTION

Digital currency, also known as digital currency or electronic money, can only be accessed through a computer or mobile phone and is often the cheapest means of transaction. It offers transparent value transfer and low transaction costs but can be unstable and vulnerable to hackers.Digital is a digital currency, not physical, and can be used for purchases and services. It can be accessed through a computer or e-wallet connected to the Internet or a specific network. It has the same utility as physical currencies but is limited to specific online communities and allows seamless cross-border transactions, such as payments between Russia and Japan.




Source By: IRF

Small businesses are using digital platforms like Shopify and Amazon to reach consumers outside their local communities, even though they are being overlooked in the digital currency debate. While power and growth are important, better payment infrastructure is often overlooked.

The payments industry is being revolutionized by digital business models and innovative systems. Banks are partnering with third-party service providers and government platforms like UPI to encourage digital payments. Central banks offer central bank digital currencies (CBDCs) to facilitate financial services and provide transparent, global, and anonymous payment methods. Digital currency has the same utility as physical currency but may be restricted in some online communities and allows instant cross-border transactions. They can be used to buy goods and services, but are vulnerable to hackers.Digital money is an electronic payment method, typically representing fiat currencies like dollars or euros, used for transactions on computers, smartphones, cards, and online cryptocurrency exchanges, and occasionally converted into physical cash using ATMs.

## 2. TYPES OF DIGITAL MONEY

Digital currency, with its technical basis, can be adapted to different purposes and forms and is likely to appear in the future.

### 2.1 Central Bank Digital Currencies (CBDCs)

Digital currency, with its technical basis, can be adapted to different purposes and forms and is likely to appear in the future.Central bank digital currencies (CBDCs) are digital money issued by a country's central bank, separate from fiat currencies. Some countries have implemented CBDCs, while others are observing their success. Different types of CBDCs, such as wholesale and retail, are proposed for different transactions.

### 2.2 Cryptocurrencies

Cryptocurrency, also known as virtual currency, is a digital currency designed using cryptography. They provide enhanced security and transaction resiliency. Its popularity has increased since 2017, reaching $2.7 trillion by November 2021. Since then, the market value has recovered to more than $1.6 trillion by early 2024.

### 2.3 Stablecoins

Stablecoins are cryptocurrencies designed to manage price fluctuations, like private funds tied to fiat currencies or commodities. The stablecoin market has grown significantly, and as of January 2024, there were 158 stablecoins on the CoinMarketCap, but only 103 of them were active.

## 3. IMPACT OF DIGITAL CURRENCY ON INDUSTRIALISATION

Industrial development is influenced by various factors beyond trade policies, including a country's size, natural resources, population, government stability, fiscal, monetary, and exchange rate policies. Empirical studies over the past thirty years have provided valuable insights into the advantages and disadvantages of different trade policies. However, other factors like domestic inflation and overvalued exchange rates can also impact industrialization. Therefore, analysts and governments must consider the complexity of the relationships among policies to ensure successful industrialization.

Markets and governments play complementary roles in industrialization, addressing economic complexity but often needing intervention. Governments set rules for the use, ownership, and transfer of assets, which impact economic activity. However, unclear, unpredictable rules in developing countries can raise business costs and discourage transactions essential for industrial specialization.

Economists and policymakers in developing countries agree on the importance of infrastructure, market efficiency, and a stable macroeconomic environment. Trade policies can be outward-oriented or inward-oriented which will be automatically digital in nature. Digital currency, also known as electronic money or online cash, can only be

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accessed through a computer or mobile phone and is generally the cheapest way to exchange money in industrialization. It enables a transparent transfer of value and reduces transaction costs. However, it can be unstable and vulnerable to hackers.Outward-oriented strategies provide neutral incentives between domestic production and exports, while inward-oriented strategies bias domestic production against foreign trade. In some cases, the bias against trade can be extreme, as sheltering domestic industries can disadvantage exports by raising foreign input costs and inflation.

## 4. Advancements in Digital Money

Blockchain technology is a major advance in DLT (Distributed Ledger Technology) systems, using historically linked cryptographic methods to link blocks, increasing the flexibility of financial networks Blockchain technology is a major advance in DLT systems, using historically linked cryptographic methods to link blocks, increasing the flexibility of financial networks and solving the problem of double spending. It removes third parties from transactions, hides identities, and encrypts transaction details. Examples of digital currencies such as Bitcoin and Ethereum use block chain technology and decentralized ledgers, making them unprofitable and difficult to hack.

Digital money, held by banks and central governments, is electronic and not physically stored. It is used for transactions, handling millions or billions of currencies. Crypto currency, a blockchain-based form, is another prominent digital currency. Both forms are essential for economic stability.

Source By: IRF

## 5. Some Forms of Cryptocurrency Include

- Bitcoin
- Ethereum
- Ripple
- Litecoin

## 6. Risks of Digital Money

Payment fraud represents a significant risk arising from the growing use of digital currencies, including fraudulent or unauthorized transactions, privileged manipulation, data theft, blocking violations, and penalties. Cybercriminals are exploiting new vulnerabilities and devising different methods to manipulate cryptocurrencies, and their ongoing attacks on payment systems show no signs of slowing down. Payment security is becoming increasingly complex and fraudsters are constantly turning to alternative payment methods.

## 6. Benefits of Digital Currency in Industrialisation

Digital Currency offer significantly lower transfer fees compared to popular payment methods like PayPal. Standard fees range from 0-1 percent, making them more cost-effective for smaller transactions.

Therefore, it's advisable to switch to digital money transactions as soon as possible to avoid draining assets and potentially facilitating company growth.

In the age of information, losing personal information online can be more dangerous than physical theft.

Digital Currency offer a safer alternative, as they don't require disclosure of personal information. People are comparing cryptocurrencies to cash payments, with some even suggesting they might replace cash entirely.

The international business world is becoming increasingly interconnected, with businesses often outsourcing services and requiring a skilled workforce.

As telecommuters become the backbone of the digital workforce, startups may need to conduct international payments regularly. Accepting cryptocurrency payments is a cost-effective and time-saving solution, allowing for quicker transactions and a substantial boost in cash flow.

## 7. Drawbacks of Digital Currency in Industrialisation

Digital money offers pros like volatility and predictability, but it also has downsides. The price of Bitcoin has risen 25 times since the beginning of the year, but this trend could be reversed.

Some people are cautiously supporting traditional payment methods despite their flaws, as the lack of predictability is not ideal for business practices.

Digital Currencies face challenges due to their status as startups, and some major conglomerates doubt their ability to handle the open market. This is particularly true for Bitcoin, the largest cryptocurrency with a solid infrastructure, as it is not the only one.

## 8. Conclusion

Digital Currency Cryptocurrencies have the potential to revolutionize business, but their potential has been wasted before. As more companies adopt digital money, the situation will evolve. Digital currency, like the Digital Rupee, offers efficient money transfers, low transaction costs, faster fund settlement, and smooth cross-border transactions. It can change shopping, saving, and business practices, increase financial inclusion and expand international trade.

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