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# Cryptocurrency Prospects and challenges

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## { Cryptocurrency: Prospects and Challenges }

The rise in technology has been accompanied by financial evolution marking the development of cryptocurrency. It challenges the traditional financial system and relies on cryptography and block chain technology. The theoretical concept of cryptocurrency was introduced in 2008. Since then, it has progressed extensively, globally becoming one of the most utilized technology. The development of cryptocurrency is a major landmark in digital finance accompanied by numerous prospects and threatened by various technological challenges. The prospects of cryptocurrency include decentralization of financial system and financial inclusion at global level. It enhances cross border remittance and allows tokenization of real world assets. Cryptocurrency ensures transparency through block chain technology. It paves way for smart contracts, automation, and enhances employment rate. The extensive use of cryptocurrency

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has also exposed certain challenges in the system. Cryptocurrency is vulnerability and breeds security challenges. Lack of education regarding block chain technology leads to financial loss. Price volatility of cryptocurrency makes it unreliable for everyday use. Tracking and taxation is difficult for cross border transactions and technological complication hinders mass participation. Cryptocurrency often faces regulatory issues and absence of legal and judicial legislation complicates dispute resolution. Despite numerous challenges cryptocurrency is being adopted globally due to flaws in main stream financial system.

Cryptocurrency is based on cryptography which allows encrypted sharing of data between users. The concept of cryptocurrency was given by Satoshi Nakamoto who published a paper on it titled "Bitcoin: A peer-to-peer electronic cash system" in 2009. He later on launched Bitcoin which materialized into a major currency. According to Wences "Bitcoin is the first

example of a new life form." Cryptocurrency extensively utilize block chain technology which allows tokenization and sharing of assets. It ensures transparency by keeping a record of previous asset holders.

Cryptocurrency has numerous prospects for the future. To begin with, it promotes decentralization of financial system. The traditional financial system is highly centralized. It has resulted in numerous economy collapses. Cryptocurrency decentralizes financial system by introducing digital currencies. According to chain analysis block chain data: over 100 trillion worth of wealth has been transferred into block chain networks cumulatively. Cryptocurrency, being digital is immune to political impacts which render considerable problems for traditional financial system.

Moreover, cryptocurrency promotes financial inclusion at global level. It allows financial facilities in rural areas where banks are unable to operate. World Bank global financial index database provides an estimate

of 1.4 billion adults, who globally remain unbanked. For these people, cryptocurrency provides a financial opportunity to which these individuals were previously deprived of. It also bypasses all the administrative hurdles and inefficiencies of traditional banking system.

Additionally, cryptocurrency enhances cross border remittance. It allows individuals to send money to other countries. Normal banking cross border remittance charges 6% to 7%. On the other hand, cryptocurrency charges less than 1% on cross border remittance. It provides an alternative and less costly option for users. The digital nature of cryptocurrency makes it difficult to be taxed. In western countries where most of the financial income is deducted due to taxation, cryptocurrency allows the users to have more control and financial independence on their income.

Furthermore, cryptocurrency allows tokenization of real world assets. It allows users to convert property and other assets into cryptotokens. According to Boston Research group

tokenization of assets shall reach 16 billion by 2030. It also allow users to share property. For instance a property of 1 million could be bought by 10,000 people, each having 0.01% of share. It has paved way for digital joint ownership.

Similarly, Cryptocurrency ensures transparency. It has limited corruption through block chain technology. The block chain tracking technology secure the records of all the previous asset holders. Due to its transparency over 60% of individuals below 30 have adopted cryptocurrency in Pakistan (Coin reporter, 2024). According to MIT technology review 100% of Bitcoin transactions are Verifiable. Unlike traditional banking system, cryptocurrency does not have any obscure back end processes.

Moving forward, cryptocurrency enables smart contracts and automation. According to Ethereum foundation reports Ethereum processes 1 million contracts daily. Smart contracts and automation feature of cryptocurrency aligns it with development in artificial

intelligence. Automation allow individuals to perform hectic financial tasks swiftly. Smart contracts enhances freelancing allowing individuals to buy, create, and sell digital NFTs.

Cryptocurrency has also created numerous jobs and enhanced employment rate. The growing youth population often face challenges due to high ~~un~~ unemployment prevailing. Cryptocurrency has opened new doors of employment for individuals. According to linkedin survey, Cryptocurrency has created 300,000 jobs blockchain jobs globally. Cryptocurrency also serve as a hedge against inflation with the price of one Bitcoin equals to 59,000 USD.

Despite numerous benefits cryptocurrency also faces certain challenges. The most prominent challenge is that cryptocurrency is vulnerable to hackers and breeds security threats. Being digital in nature, cryptocurrency is an easy prey for dark web hackers. According to Reuters, hacks led to a loss of 22 billion in 2024. The large

number of crypto thefts has made many cryptocurrency insecure.

Moreover, block chain technology is relatively new. The lack of education regarding blockchain, wallets, and trading leads to financial loss. Numerous books have been written including Basics of blockchain and bitcoin by Anthony Lewis which provides technological literacy for cryptocurrency. Despite that, most individuals tend to follow groundless advices of influencers leading to financial loss. Without education investors often become an easy target for scammers and brokers.

Furthermore, the price volatility of cryptocurrency also makes it unreliable for everyday use. Individuals often hesitate to invest due to drastic price changes. According to Kaspersky international, 48% of people fear losing money due to price volatility while 10% have actually lost money because of it. Many trading softwares including Binomo and OctaFX claim to ~~price~~ predict price graph. However, their predictions often fail due to drastic

price volatility.

Additionally, tracking and taxation of cryptocurrency is difficult due to for cross border transactions. Being difficult to track, it has the tendency for funding terrorism and illicit activities. Tracking is also difficult due to absence of formalized laws. Unlike traditional cash which can easily be taxed, cryptocurrency users can easily evade taxation. The assets transformed into crypto tokens are also outside the circle of taxation. Governments hesitate adopting or legalizing cryptocurrency due to taxation and tracking issues.

Technological complications of cryptocurrency also hinders mass adoption. Majority of population struggles with grasping blockchain concepts. Aged people who are accustomed to traditional banking show reluctance in switching over to cryptocurrency. The unavailability of internet also limits adoption in rural areas. Large number of brokers and trading software

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Further Complicates cryptocurrency limiting its adoption. Cryptocurrency requires massive electrical energy for mining which results in enhanced emissions of CO<sub>2</sub> raising more concerns about regarding its adoption.

Cryptocurrency also faces regulatory issues in various states. Pakistan's regulatory have historically been cautious, disallowing crypto from main financial stream hindering its adoption. As a result in 2018 cryptocurrency was banned in Pakistan by state bank of Pakistan and FBR. Main stream global financial organizations fear that cryptocurrency might disrupt financial stability. According to IMF "We must make sure that innovation in crypto does not disrupt financial stability." Absence of digital financial laws also cause regulatory issues for cryptocurrency.

Lastly, absence of legal and judicial legislation further complicates the situation. In case of dispute due to cryptocurrency.

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there are no national and international laws to deal with it. Cross border transactions are not verifiable conclusively. Theft and ownership disputes are also difficult to solve because they do not fall neatly into national laws. Due to absence of laws many crypto entities operate informally leading to an increase in fraud cases.

To sum it all, cryptocurrency decentralizes financial system and promotes financial inclusion. It charges less on cross border remittance and allows tokenization of real world assets. It ensures transparency and enables smart contracts and automation. It has also created numerous block chain jobs. Apart from benefits, cryptocurrency also faces numerous challenges. It is vulnerable to hackers and breed security challenges. The lack of education about blockchain, wallets, and trading leads to financial loss. The price volatility of cryptocurrency also makes it unreliable for everyday use. Tracking and taxation of cryptocurrency is

difficult and technological complication hinders mass adoption. It also faces regulatory issues in various states. The prospects of cryptocurrency outweighs the challenges resulting in growth of crypto-currency.