THE ROLE AND IMPACT OF SOCIAL MEDIA ON SALE OF CRYPTOCURRENCY: BITCOINS

Ms. Maria AlexinaVinothaRajan,
Asst. Professor, Dept. of Commerce, St. Claret College
Ms. Shalini .S
Associate. Professor, Dept. of Management, Indian Academy College

ABSTRACT

Social media networks plays a dominant role in many aspects of our modern lives. The advent of social media has bolstered cryptocurrency in a unique way. The rate at which social media is growing is tremendous; trust and goodwill are the basis of social networking. Global companies have identified social media marketing as a potential marketing platform, utilizing them with innovations to power their products. Cryptocurrency is seen in a big way in the social media. The value of bitcoin lies as much in the idea behind it as the technology that makes it work. A lot of Bitcoin's value derives from how we envision it within the depths of the internet. The various social media like the Facebook, twitter, internet relay chat, WhatsApp, slack and instagram have helped people to get more awareness on cryptocurrency. This paper discusses about the role and impact of social media on cryptocurrency with special reference to bitcoins and other aspects of bitcoins like the challenges, growth and benefits, and how it bolsters the growth of bitcoins in Indian scenario.

Keywords: Social Media, social media marketing, bitcoins, cryptocurrency.

Introduction & Meaning of Bitcoins

Introduction of the internet has completely changed the way real economy works. One of the fascinating phenomena of the internet era is an emergence of digital currencies such as bitcoin, Litecoin, Namecoin, Ripple to name a few are the most popular ones. A digital currency can be defined as an alternative currency which is exclusively electronic and thus has no physical form. It is not issued by any specific central bank or government of a specific country and it is practically detached from the real economy.

Bitcoin, first being introduced in 2008, is a peer-to-peer digital currency that trades on public exchanges and can be instantly transferred between any two people anywhere in the world with the speed of an email and at far lower cost than for transactions processed through the traditional financial system (Forbes.com). Actual genesis of bitcoin was in the year 2009. Since 2009 the bitcoin has undergone significant changes marked with rapid growth and decline of its value, accompanied by public attention. Bitcoin does not use printed money. It is digital only. The currency is created on computers by a community of people across the globe. Anyone can join that network, or group, according to (Coindesk.com)

This network processes **transactions** made with the digital currency. Bitcoins are stored in a "digital wallet" over the Internet or on the user's computer. There is not an unlimited amount of bitcoins. Nakamoto set up rules to limit the currency to 21 million bitcoins. At this point it might be sound to give a brief explanation on what traditionally is understood with peer-to-peer landing. As European Commission explains, peer-to-peer lending is a type of crowdfunding – the crowd lends money to a company with the prior understanding that the money will be repaid with interest. As a comparison a traditional borrowing from a bank can be given, except that peer-to-peer means borrowing from lots of investors (European Commission, 2015). investing in companies or projects is far not the prime trigger for the use of virtual currencies.

The bitcoin currency price in the year 2013 was $13 per bitcoin and it rocketed to $230 in the month of April potentially creating an absurd profit of 1700% in less than four months. Later the same year the price soared even higher to $395 on November.

The behavior of the bitcoins cannot be explained by any theories it is not affected by factors like GDP, interest rates, inflation, unemployment and others. As there are no macro economical factors guiding the pricing of bitcoins, the currency amount is fixed by publicly known algorithm, and the rate is driven by expected profits of holding the currency due to no interest rates of the digital currencies. The market is dominated by short term investors, trend chasers and speculators. The digital currency price is solely driven by the investors faith in the perpetual growth, the investors sentiment becomes a crucial variable.

The objectives of the study:

1. To have a deeper understanding about the genesis and functioning of bitcoins.
2. To scrutinize the design of bitcoin and its virtues and vices.
3. To know the role and impact of social media in sale of bitcoins.

Review of Literature

1. Satoshi Nakamoto (2008) Bitcoin: A Peer-to-Peer Electronic Cash System Author stresses on absence of Central Governing Authority in case of Bit coins. An electronic transactions systems relying on cryptographic proof instead of trust, Digital Currency which can operate even in the absence of financial Institution as Intermediary.

2. Plassaras, N.A., 2013. Regulating Digital Currencies: Bringing Bit coin within reach of the IMF.Chicago Journal of International Law, 14(1), pp377-407.The article describes the role of IMF in Regulating Currencies and puts forward suggestions on how to bring Bitcoin within IMF's purview. The author discusses the basic technology and its functioning. The author presents the pros and cons of the digital currency.

3. Christian Beer, Beat Weber1,2014, Bit coin – The Promise and Limits of Private Innovation in Monetary and Payment Systems. The article highlights the opinions of the Regulators and the Governments especially European Central Bank, the European Banking Authority and other regulators in European countries like Austria, Italy and France. Authors describe the basic functionality of Bit coin and how it operates from a Technology standpoint. This paper also touches upon the role of Bit coin in the Payment System as well as the monetary system.

4. Casey, M.J. and Vigna, P., 2015, Jan 23. Bitcoin and the Digital-Currency Revolution; For all bitcoin’s growing pains, it represents the future of money and global finance. Wal Street Journal (Online). Authors’ talks about Investors as Netscape founder Marc Andreessen and LinkedIn founder Reid Hoffman putting millions of dollars into bit coin-related projects in the US, including the New

York Stock Exchange and the venture arm of the Spanish banking giant Banco Bilbao Vizcaya Argentaria SA. Article highlights the differences between the Traditional Banking transactions vs. Crypto currency transactions

5. Hochstein, M., 2015, Jan 29. The Crypto currency that Dares Not Speak Its Name. American Banker (15). The author articulates how the Federal Reserve's white paper considers Bitcoin as a potential for real-time payments in the banking system. The new currency will lose the features of Bitcoin and will be similar to fiat currency except for its virtual existence.

6. Burnett, John, 2015. The New Currency Dilemma., U.S. News Digital Weekly 2/6/2015, p16-16 The literature discusses virtual currency, an innovation from the high-tech world, which allows people in the U.S. and the rest of the world to send money instantly without banks, credit card companies or other financial intermediaries.

7. Tsukerman, Misha, July 2015, Forthcoming. The Block Is Hot: A Survey of the State of Bit coin Regulation and Suggestions for the Future (March 30, 2015). Berkeley Technology Law Journal, Vol. 30. The author states the existing and the potential uses of Bitcoin including the negative aspects of Bit coin like Black Markets and Tax evasion.

8. The Impacts of Social Media on Bit coin Performance Mai, Feng and Bai, Qing and Shan, Zhe and Wang, Xin (Shane) and Chiang, Roger H.L., The Impacts of Social Media on Bit coin Performance (April 30, 2016). This study examines the dynamic relationships between social media and bitcoin performance. We consider the distinct effects of different social media platforms and different user groups subdivided by posting volume. The results suggest that more bullish forum posts have a positive effect on bitcoin returns, and the effect is stronger when we only include the posts by users who are less likely to contribute. In addition, messages on Internet forum have stronger impacts on future bitcoin market measures at a daily frequency, but micro blogs' effects are more significant at an hourly frequency.

9. Institute of Economic Studies, Faculty of Social Sciences, Charles University in Prague, Opletalova 26, 110 00, Prague, Czech Republic, EU, 2 Institute of Information Theory and Automation, Academy of Sciences of the Czech Republic, Pod VodarenskouVezi 4, 182 08, Prague, Czech Republic, EU. Digital currencies have emerged as a new fascinating phenomenon in the financial markets. Recent events on the most popular of the digital currencies – Bit Coin – have risen crucial questions about behavior of its exchange rates and they offer a field to study dynamics of the market which consists practically only of speculative traders with no fundamentalists as there is no fundamental value to the currency. In the paper, we connect two phenomena of the latest years – digital currencies, namely Bit Coin, and search queries on Google Trends and Wikipedia – and study their relationship. We show that not only are the search queries and the prices connected but there also exists a pronounced asymmetry between the effect of an increased interest in the currency while being above or below its trend value.

Virtues of Bitcoin

- Bitcoin is a distributed digital currency which has attracted a substantial number of users.
- Bitcoin has gained amazing popularity and much attention from the press.
- Decentralization and unregulated system were considered as its biggest advantage
- Close to 30% of bitcoins are sold through social media and everyday new investors are added close to thousands in the social media.
- For a day close to two million to five million transactions take place each day in bitcoin.
- It is traded with real world currencies like euro, USD, GBP, HKD etc.
- Bitcoins will be a good option long lived stable currency.
- With bitcoins, there are no banks or fees.
- Users do not register with their real names. **Merchandise** can be bought without the user showing her or his identity.
- Bitcoins are not taxed or regulated anywhere in the world.
- Most of the companies have started accepting bitcoins, Amazon, Dell.

Vices of Bitcoin

- Lot of disbelief about the values going higher.
- No central authority to control the sale of bitcoins.
- Based on the facts of the essence of bitcoin and using technical analysis, it has been found that the value of bitcoin will decrease in future, therefore it does not represent a good investment opportunity.
- cryptocurrencies fail due to the fact, that their value is not admitted in cross-country relations.
- Nevertheless, there is a feeling that cryptocurrencies are somewhat different from what is traditionally understood with peer-to-peer lending, as rather often
- It cannot enter into the foreign exchange market.
- There are a lot of them who are trying to hack bitcoins and many people literally lose their bitcoins by misplacing the code that proves ownership. (Bloomberg.com).
- While the lack oflegislation and supervision plays good for possible money launders, it doubles the possible negative influence byreducing any possible protection for the society.

Role of Social Media in Sale of Bitcoins:

- Social media has played a significant role in the sale of bitcoins. Facebook, twitter, WhatsApp and also search engines like Wikipedia have contributed to the growth of the bitcoins. Google trends and Wikipedia have proved to be useful source of information to the potential investors, The frequency of searches of terms related to the digital currency can be a good measure on interest on the currency and it has a good power to help people buy bitcoins.
- The number of investors has also increased due to the information on social media. There is a direct relationship on the users of social media and the investors investing in bitcoins.
- Bitcoin market is a 24/7 market and it is found that in a minute a total of 788 observations or searches happen in social media regarding bitcoins.
- The other networking sites are also promoting the bitcoins. WhatsApp is one which is closely associated in making people invest and buy bitcoins.
- There is a direct relationship on price of bitcoins and social media which in turns makes the price to go up. As the interest in the number of users in social media increases, the demand for bitcoins increases causing the price of the bitcoins also to increase. (In 1 BTC was Rs. 74,000 as of yesterday it is Rs. 4, 31,550)
- Bitcoin is more often controlled by people on social media and social networking sites, and the users of bitcoins and social media them and are viewed as more democratic by their supporters.

Future of Bitcoins: It is interesting to know from the study and information from the social media and other networking sites that the future belongs to the virtual currency some of the reasons why bitcoins will be the future currency is that:

- By 2018 Russia could accept Bitcoin and other cryptocurrencies as legitimate payment method in the next year. By doing this they hope to advance in the fight against money laundering.
- Denmark Announced that bitcoins are tax free.
- Microsoft and Dell Accepts bitcoins for purchase of products.
- Bitcoin ATM's are functional in most of the countries abroad.
- Many countries have included bitcoins as a currency or a commodity, countries like Israel, Norway and France have accepted bitcoins as commodity and other countries like currency.
- Holding a bitcoin in India for more than 3 years it will be treated as Long term Capital Asset
- To fall under the purview of IMF shortly and completely be regulated

Conclusion: The world may soon have an internationally accepted cryptocurrency issued by International Monetary Fund (IMF).IMF wishes to exercise its special rights (SDR) to replace existing reserve currencies with internationally accepted cryptocurrency.

IMF Chief, Christine Lagarde has recently encouraged banks and financial institutions to study blockchain technology. She also commented that the digital money could gain popularity as users prefer blockchain based payments systems. Some of the growing economies are increasingly using block chain technology for cross border transactions circumventing banks and other financial institutions.

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