

Assessing the Future Viability of Bitcoin: Opportunities and Implications in Global Finance

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ABSTRACT

Bitcoin as a digital currency enables direct online transactions between parties, eliminating the requirement for traditional financial institutions. Opinions on Bitcoin vary, with some seeing it as a potential game-changer for finance, while others see it as a speculative asset that poses risks to global financial stability. However, the concept of e-currency is evolving and gaining traction, Bitcoin has become the most prominent and widely accepted form of online payment. Each Bitcoin is represented as a unique digital entry in a virtual wallet on a device, enabling users to send and receive bitcoins. Every bitcoin transaction is logged in a public list called the blockchain, allowing for transparent tracking of ownership and preventing unauthorized transactions. Bitcoins have value on their own, facilitating global transactions between parties without revealing your identity. Nations such as the US, Canada and Australia have established regulatory guidelines for Bitcoin, its legitimacy is limited to specific contexts and remains distinct from their official currencies. The objective of the current paper is to examine the long-term viability of Bitcoin and evaluate the likelihood of it being an internet bubble.

Keywords: Bitcoin, Finance, E-currency, Block Chain.

Introduction

The world's leading cryptocurrency, Bitcoin, has been increasing in popularity. Created in 2009 by Satoshi Nakamoto, it continues to be a benchmark for the industry. His goal was to create a decentralized digital currency, which was influenced by peer-to-peer networking principles, and this gave birth to Bitcoin. Bitcoin is a peer-to-peer network. Each peer maintains an entire history of the transactions and so of the balance for every account. File Number one guy will then sign privately, and a transaction is generated that the transaction will be unknown to-the moment by the whole network, though after some elapsed time it becomes confirmed. The idea is that it should behave like a fiat currency or commodity. Bitcoins are inherently valueless, their value set by those who trade them. Recent media attention has fueled interest in Bitcoin and inspired the creation of alternative digital currencies. There are those who appreciate the fact that no one is in charge of Bitcoin. People can also spend their Bitcoins anonymously. Your transactions are recorded, but your account info stays private unless you share it. A Bitcoin is effectively a computer file that is stored in a Digital Wallet app on a smartphone or computer. Others can send Bitcoins (or part of one) to your digital wallet, and you can send to other people. Every bitcoin transaction gets added to a public list called the block chain, which helps prevent fraud and ensures the integrity of transactions.

Bitcoin is a virtual currency that exists only online. Physical bitcoins do not really exist, because they are kept only on balance on a public wallet in the cloud. All Bitcoin transactions are verified by a

massive amount of computing power. But not many places accept it, and some countries don't allow it because they worry about people using it for bad things.

Objectives of the Study

- To understand the concept and working of Bitcoin
- To analyse the determinants influencing Bitcoin's future price
- To examine the benefits and limitations of Bitcoin.

Bitcoin: Concept, Features And How It Working

Bitcoin is the currency of the Internet: a distributed, worldwide, decentralized digital money. Bitcoins are not printed like dollars or rupees, and euros. They're produced by people- and increasingly business- running computers all around the world, using software that solves mathematical problems.

How is Bitcoin different from regular money?

Bitcoin can be used to buy things electronically. In that way, it is the same as conventional dollars, euros, or rupees, which are also traded digitally. Bitcoin is decentralized, meaning no single institution or bank controls it.

Who created it?

Bitcoin was an electronic method of payment, and it was invented by a software developer named Satoshi Nakamoto. The goal was to create a currency that operates independently of central authorities, one that could be transferred electronically and more or less instantaneously, with extremely low transaction fees.

What are its characteristics?

Key characteristics of Bitcoin include:

- **Decentralized:** The Bitcoin network is not run by any one central authority. Each machine that mines Bitcoin and processes transactions makes up a part of the network, and the machines work together.
- **Easy to start :** Traditional banks make it a hassle just to open a bank account. But one with bitcoin, you can create a bitcoin address in seconds with no questions asked and nothing to pay.
- **Anonymous :** while bitcoin transactions are recorded publicly, users can have multiple bitcoin addresses without anyone knowing who you are.
- **Totally transparent :** Bitcoin stores details of every single transaction that ever happened in the network in a public ledger called the blockchain, making it completely transparent.
- **Transaction fees are minimal :** your bank might charge 1000 rupees (about \$ 11 dollars) to wire money internationally. There is no transaction fee in Bitcoin.
- **Quick :** you can send money to anyone anywhere in the world and it will be received mere minutes later, when the bitcoin network processes the payment.

How does Bitcoin Work?

Every Bitcoin and cryptocurrency would be basically a computer file that is stored in a 'digital wallet' app on a smartphone or computer.

Others can send Bitcoin(or part of one) to your digital wallet, and you can send other people Bitcoins.

Each and every transaction is listed on a public ledger called the blockchain. As a result, the history of bitcoins can be traced and you can prove someone did not buy a physical good with them or make copies or 'undo' transactions.

How do People Get Bitcoins

Here are the three most popular ways that we observe people getting Bitcoins:

- You can purchase Bitcoin for real money
- And you can sell things and have people pay you in Bitcoins
- They are at least computer-constructible.

Key Factors Impacting Bitcoin's Future Valuation

Bitcoin's future price will be driven by a combination of adoption dynamics, regulation, technological progress, macroeconomic trends and competition within the crypto ecosystem. Each of these factors can attract new investment and boost demand or introduce uncertainty and downward pressure.

- **Adoption Rates**
 - Retail Adoption: Greater acceptance by merchants and consumers enhances Bitcoin's role as a medium of exchange, thereby fueling demand growth.
 - Institutional Investment: Companies like Tesla and Square are all in on Bitcoin. If more big players follow, it could be a game-changer.
- **Regulatory Environment**
 - Positive Regulation: clear and supportive regulations, such as recognizing Bitcoin as a legitimate asset class or providing tax clarity, can increase investor confidence.
 - Negative Regulations: Restrictive regulations, trading bans, or unfavorable tax treatment in major markets can lead to price declines and reduced participation.
- **Technological Development**
 - Scalability Solutions: Innovations such as the Lightning Network and other second-layer protocols improve transaction efficiency, enabling Bitcoin to become more practical for everyday use.
 - Security Enhancements: Bitcoin's constant updates and security practices ensure trust in the network, maintaining reliability and mitigate potential vulnerabilities.
 - Energy Efficiency: As environmental concerns grow, advancements in sustainable mining could positively affect Bitcoin's reputation and long term viability
- **Macroeconomic Factors**
 - Inflation Hedge: With Central Banks increasing money supply, Bitcoin is increasingly regarded as a hedge against inflation, making it an attractive option for investors seeking to preserve wealth.
 - Interest Rates: When interest rates are low, people are more likely to invest in Bitcoin. When rates go up, they're less interested.
 - Geopolitical Stability: Political and economic crises often drive capital into decentralized assets, pushing Bitcoin prices upward.
- **Competition from other Other Cryptocurrencies**
 - Emerging Technologies: Emerging technologies offering improved transaction speed with enhanced features may potentially divert investment and attention away from Bitcoin.
 - Stablecoins: The growing adoption of stablecoins for transactional purposes may pose a challenge to Bitcoin's utility as a payment method.

Advantages of Bitcoin

- Since bitcoins are peer-to-peer, no service has to be approved for bitcoin use so little or low fees mean faster and cheaper transactions than existing payment methods.
- It provides pseudonymity and security, it encrypts transactions and records them on the public ledger, making fraud and theft more difficult.
- Bitcoin is decentralised so it's organic and cannot be controlled or shut down by any single entity or government.
- It is viewed as a store of value and at times referred to as "digital gold," and can act as an inflation hedge because unlike dollars or some other currencies, it has a hard cap at 21 million coins.
- It allows for self-custody, where individuals have full control of their assets with no reliance on banks.
- Unlike traditional markets, Bitcoin can be traded 24/7 throughout the year.

Disadvantages of Bitcoin

- The price of Bitcoin fluctuates rapidly and may end in the loss of substantial investment for a user or investor.
- There is no regulation and protection of law, so can't guarantee risk-free when there are disputes or losses.
- The security of Bitcoin's network relies on users controlling their own wallets, and if they lose access to them or are hacked into, the funds can be lost forever.
- The tax treatment of Bitcoin gains can be a bit complicated as it is considered property, which means you may need to keep good records and possibly pay capital gains taxes.
- It is most criticized for the mining energy usage, itself which wasn't discussed in much detail there.
- Some critics note its use in illicit activities, but supporters say most Bitcoin transactions are legal and traceable.

Young Generations Awareness towards Bitcoins

The emergence of cryptocurrencies, especially Bitcoin, has added a new dimension to global finance. In India, Generation Z—those born between 1997 and 2012—stands out as a digitally savvy group showing growing interest in digital currencies and emerging financial technologies. By reviewing secondary data and existing literature, it identifies key drivers such as expected returns and ease of digital access, alongside barriers including limited financial literacy, security worries, and regulatory uncertainties. Although Gen Z is well-informed through digital channels, participation in crypto investments remains relatively low. Social influence plays a smaller role compared to individual concerns about safety and usefulness.

The government has to keep in mind that the people are even now completely ignorant of the fact that such a thing as this even exists. The younger generation easily adapts to new technologies, whereas older generations need education on digital currencies like Bitcoin. Needless to say, in order for Bitcoins to be used, folks have to make sure that they are genuine. It is essential to educate people about how digital currencies work and benefit from the use of Bitcoins. This educating them on Bitcoin and its significance would be the first step to introducing cryptocurrency in the country.

Widespread Bitcoin Adoption Across the Globe

In the midst of the spectacular revival of Bitcoin and its ever-increasing recognition, it is attracting attention from regulators in different countries. Most of the other major governments have released legal notices, regulation or reports addressing various concerns surrounding Bitcoin, including its potential for fraudulent activities, tax treatment, impact on national currencies, and its legitimacy as a legal tender. Most countries have opted to regulate it rather than recognize it as a currency. Also, Bitcoin has been deemed as a currency by most of the jurisdictions where it has been regulated. The primary reason for that seems to be because they would not want peer-to-peer units to have this status. Some nations such as China and Brazil have sought to caution people about the risk of trading in bitcoin.

Future of Bitcoin

The future of Bitcoin is highly uncertain and subject to multiple possibilities. As it continues to evolve, various outcomes are being speculated upon. According to Andersson and Wegdell (2014), three potential scenarios stand out among the rest when assessing the potential future of Bitcoin.

- Bitcoin could be adopted universally, becoming a globally recognized currency that may even replace cash and credit cards.
- Alternatively, Bitcoin might endure in a secondary role, serving as a complementary payment method within the global financial landscape, much like how English is widely used but does not displace other languages. In this scenario, Bitcoin coexists with traditional currencies as a global payment system without becoming dominant.
- In a less optimistic outcome, Bitcoin could experience a dramatic price collapse—either swiftly or gradually—ultimately losing mainstream attention and fading into obscurity over time.

For the past few years, it has been noticed that cryptocurrencies are one of those sectors which are highly volatile and component, especially the Bitcoin. The outlook for Bitcoin's future can be summarized as follows:

The World Economic Forum has forecasted that, by 2027, around 10% of global GDP will be transacted via cryptocurrencies, with an anticipated average annual growth rate of 62.1%.

According to Jeremy Liew, the first investor in snapchat: estimates bitcoin has the opportunity to go up 20x from today's price, as it did already in 2017. At this growth rate, Bitcoin could have 400 million users by 2030.

Jurrien Timmer, Director of Global Macro at Fidelity Investment, forecasts that the price of one Bitcoin could potentially reach a price point of \$1 billion by the mid-21st century, specifically between the years 2038 and 2040.

A vast majority of tech-gurus and companies are opting for the choice such as using other form of encrypted currencies signify that the future of Bitcoin or any digital currency is going to be an eventful one-but, it is predicted that profits miners once made to create new blocks will become so less that it can be ignored. We are still in the early days of cryptocurrency, so it is too early to say whether Bitcoin will be the future money or what effects Bitcoin will have in future years.

Conclusion and Finding

Finally, we can infer that Bitcoin does indeed have a future for wider use but it all depends whether we are willing to consider the need for such quick and low-cost transactions. This focus would necessitate simple, more consumer-friendly services even for consumers who would prefer not to understand the technicalities behind it. It makes it easier for consumers to complete financial activities including purchasing, selling, transferring, and exchanging by providing alternatives to traditional payment methods. More advantages of cryptocurrencies can be found in e-business and e-payment sectors. There are several issues, concerns, and problems with many cryptocurrency systems. Until cryptocurrencies are properly controlled and maintained, users must use them with great caution. The absence of laws is thus the primary problem with cryptocurrency systems. The road to this kind of permanent establishment is that the system must remain fully transparent and secure, some network effect needs to materialize, and the Bitcoin ecosystem will get stronger and more trustworthy. By definition, Bitcoin is not a new currency- but it might still have paved the way for an improved one.

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