

# **Chapter - 03**

## **CAN BITCOIN BECOME GLOBAL CURRENCY**

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## **EXECUTIVE SUMMARY**

My project report's theme is the can bitcoin become global currency and I'll be conducting both exploratory and descriptive research. I use a questioner to gather responses. At my research, I discovered at one time, few people have thought that Bitcoin is only an obscure hobby or a pipe dream that will die out in the next few years. But today, the story is quite different. You can see that Bitcoin has now become a real investment opportunity and is making its way to create a severe impact in the world.

## **INTRODUCTION**

The modern globalization has initiated a remarkable degree of integration, standardization, and uniformity to the world. In the last two hundred years, the world has borne witness to various advancements of mankind, including the foundation of many crucial global organizations, such as the United Nations and World Trade Organization.

Representatives from countries gather more often to coordinate policies and eliminate barriers. As the world converges and global trade prospers, the need for a shared global currency should arise as the next deciding stimulation to the world economy, since it will eliminate the risk from fluctuating foreign exchange rates, reduce transaction costs, and promote an even larger volume of foreign goods and services exchange.

## **LITERATURE REVIEW**

Theoretically, there is no limit to Bitcoin's liquidity. Being a peer-to-peer online payment system, Bitcoin can be exchanged for goods, services, or currencies as long as both traders agree to such transaction. In reality, this ability of Bitcoin is greatly limited because of its low rate of exposure (or popularity). Cryptocurrency is a novel concept; thus, the risk associated with it can be considered unreasonable to those who advocate the use of traditional currencies. However, Bitcoin's superiority in transactional speed and reduced fee will surely give room for Bitcoin to grow even more popular, ready for people to understand its mechanism more thoroughly and then gradually accept the innovative convenience it brings. Currently, Bitcoin has been playing a huge role in being the intermediary for various major currencies: Japanese Yen, United States Dollar, Euro, Korean Won, and British Pound. Nonetheless, in the future, as the Bitcoin community grows in number, Bitcoin's potential liquidity should be realized and appreciated.

## **RESEARCH OBJECTIVE**

A wide range of small and specialized firms make up the fashion sector. Retail/online businesses, design firms and brands, and design publications are all common topics of conversation. In any case, there are numerous craftspeople and clothing stores to choose from. There are texture and extras makers and sellers, as well as florists, weavers, sewers/tailors, and a variety of other folks. When it comes to fashion shows and design promotion, the bigger design biological system includes models, beauticians, stylists, cosmetics specialists, model organizations, photography artists, and various more non-style organizations.

## **RESEARCH METHODOLOGY**

This is an exploratory study that incorporated both primary and secondary data. Data in this research has been obtained from blockchain.info, a bitcoin cryptocurrency wallet and block explorer service. The studied dataset is number of confirmed Bitcoin transactions for the period from 03 January 2009 to 15 November 2017 (from the issuance of the first Bitcoins until now) (“Number of Confirmed Bitcoin Transactions Daily”). The total number of observations is 1620. The data is collected and recorded every two-days.

## **FINDINGS**

The first trial produces a prediction with the train loss of 0.023035. Taking the whole dataset into consideration, the model predicts that the number of Bitcoin transactions the year of 2018 (183 observations) will be increase to a number greater than the current maximum. However, the dataset is already normalized and scaled, thus the prediction results in a straight orange line aligning the maximum data points.

The second trial seems to produce a better prediction with the train loss of 0.0034763. With the sample of the full dataset (data from 2015 - 2017) as input for the training set, the model predicts the same result but with clearer view of the trend compared to the first trial: the number of Bitcoin transactions will increase in the year of 2018; however, it will experience a sudden dip in number in the middle of the year.

## **LIMITATIONS**

This paper is still lacking due to the limitation of Bitcoin’s dataset (only eight years of data) and the simple model of the neural network used to make predictions. Due to the different input datasets, the model gives two considerably different predictions on the exact number of Bitcoin transactions in the year of 2018; however, a

predicted trend persists through both trials: the overall number of Bitcoin transactions will increase but it is likely to experience a dip in amount in the middle of the year. This dip is the direct result from the volatility in the infancy period of Bitcoin as a currency; however, as many times before, the market will once again put its trust on Bitcoin's future as Bitcoin's popularity continue to increase over time.

## **CONCLUSION**

Due to the infancy of Bitcoin, its long-term future is still shrouded in mystery. Nevertheless, the paper has discussed in length the potentials (advantages and shortcomings) of Bitcoin in its development to become the global currency. Currently, these aforementioned potentials are mainly theoretically based, but in the short run, Bitcoin's trend to gain popularity and market share should be more apparent through the result of the neural network predictions.