Advantages And Disadvantages Of Bitcoin Technology

Advantages

1. Hidden Identity

The biggest advantage of Bitcoin technology is the securities against cyber-theft. It is also known as the ability to keep oneself under camouflage. With Bitcoin technology, users would be able to keep their identity hidden. Since accounts and transactions under Bitcoin technology have nothing to do with real-world identities, one can only analyse the flow of the transaction. Therefore, it would not be possible to find the real-world identities of anybody. Users would receive or send bitcoins to addresses that are just the chains of 30 characters ("Advantages and Disadvantages of Bitcoin Technology", n.d.)

Bitcoin purchases are discrete. Unless a user voluntarily publishes his Bitcoin transactions in the market, the purchases will be never associated with his personal identity, much like cash-only purchases and cannot easily be traced back to him. This not to mean that bitcoin transactions are truly anonymous or entirely untraceable, but they are much less readily linked to personal identity than some traditional forms of payment. Such as unlike in payments through bank, where the transactions can be tracked and identified, bitcoin transactions cannot be identified. A person can only know the addresses of the bitcoin wallet on which the payment has been sent or received. But to whom these addresses belong to, they cannot be identified (Kukreja, 2017).

2. Low Transaction Fees

Foreign purchases typically involve fees and exchange costs. Since bitcoin transactions have no government involvement or any intermediary institutions, the costs of transactions are kept very low. This can be a major advantage for travellers. Besides, any transfer in bitcoins happens very quickly which can eliminate the inconvenience of typical authorization requirements and waiting periods (Reiff, 2020).

Currently, the fees within Bitcoin payments are either zero or very low. With transactions, users might include fees so that the process of transactions could be faster. The higher the fee, the more priority it gets within the network and the quicker it gets processed (Tassev, 2019). Digital Currency exchanges help merchants process transactions through converting bitcoins into fiat currency. These services generally have lower fees than those credit cards and PayPal. According to Blystone (2019), the business that accepts payments in bitcoins saves on credit card fees. These fees can range up to 5% for each approved payment, reflecting the bitcoin transaction fees are lower than credit cards.

3. Control and Security

Another advantage of bitcoin technology is that it is almost impossible to hack user's account under Bitcoin. Bitcoin funds are very safe that they are securely locked under a cryptography system. If a user is the owner of a private key, only the particular user can send the

cryptocurrency such as bitcoins. Since it is made by using solid cryptography and huge numbers, it is impossible to hack the address ("Advantages and Disadvantages of Bitcoin Technology", n.d.).

Besides, Bitcoin allows users to be in control of their transactions will help to keep Bitcoin safe for the network. Merchants are not allowed charge extra fees on anything without being noticed. They must approach with the consumer before adding any charges. Payments in Bitcoin can be completed and finalized without one's personal information being tied to the transactions. Due to the fact that personal information is kept hidden, Bitcoin protects against identity theft. Bitcoin can be backed up and encrypted for the purpose of ensuring the safety of users' money. Bitcoin transactions are highly secured. So long as users take the required steps and procedures to protect their wallet, Bitcoin can give users control over their money and a strong level of protection against many types of fraud (Gov, 2019).

Disadvantages

1. Volatility

Bitcoin's volatility is always in the headlines. For many traders, this is a reason not to accept Bitcoin as a means of payment out of fear or a sharp drop in prices. Bitcoin has a certain amount of volatility in the market. As there is a limited number of coins available and the demand for them is ever-increasing, the prices for bitcoin fluctuate on a regular basis. Therefore, relatively small events, trades or business activities within the cryptocurrency market can significantly affect the price ("Advantages and Disadvantages of Bitcoins", 2019).

Bitcoin prices are very volatile and increase or decrease at a very high pace. Although Bitcoin is the most liquid and easily exchanged cryptocurrency, it remains susceptible to wild price swings over short period of time. In pace with the Mt. Gox collapse, Bitcoin's value has fallen by more than 50%. Following the FBI's announcement, it would treat Bitcoin as 'legitimate financial services', Bitcoin's value spiked by a similar amount. In late 2017, Bitcoin's value doubled several times, only to halve in the first weeks of 2018, wiping out billions in market value almost overnight. This price volatility makes bitcoin investment difficult. While Bitcoin volatility sometimes offer short-term benefits for speculative traders, it renders the currency unsuitable for more conservative investors with longer time horizons. And since Bitcoin's purchasing power varies so widely from week to week, it is difficult for consumers to use as a legitimate means of exchange (Martucci, n.d.).

2. Potential to be Replaced by Superior Cryptocurrency

Bitcoin spawned a host of successor cryptocurrencies. Although many cryptocurrencies are structurally quite similar to Bitcoin, others make notable improvements. Some newer cryptocurrencies make it even harder to track money flows of identify users. Furthermore, others might use 'smart contract' systems that hold service providers accountable for their promises. Some even have in-house exchanges that allow users exchange cryptocurrency units directly for fiat currency units, eliminating third-party exchanges and reducing associated fraud risks (Martucci, n.d.). Over time, one or more of these alternatives could seize Bitcoin as the world's dominant cryptocurrency. That could negatively impact Bitcoin's value, leaving committed and long-term users be the scapegoat.

This is mainly because Bitcoin is still at its infancy stage with incomplete features that are in development. Bitcoin has to make its digital currency more secure and accessible as well as develop new features, tools and services. Bitcoin has yet to grow until it reaches its full and final potential. Therefore, the current Bitcoin cryptocurrency has a threat of being replaced by more superior cryptocurrency (Stegaroiu, 2018).

3. Funding of Illegal Activities

Bitcoin has been used to fund illegal activities such as money laundering. Users use bitcoins as a means for money laundering and people operating in black markets, which they did not want to reveal their personal information and get payment secured. In money laundering, middleman or intermediaries would collect the money from one source and transfer it to another source through Bitcoins (Kukreja, 2017).

Bitcoin is popular in the black market and criminals. Due to the complete anonymous feature, Bitcoin is used in cyber hacking, drug deals and arms deals. International and national legal systems still do not have the proper laws and authority over Bitcoin and hence making it harder to stop bitcoin-related black markets activities ("Bitcoin Pros and Cons", n.d.). Despite high-visibility prosecutions of the most egregious offenders, Bitcoin remains attractive to criminals and grey market participants. Obviously, dark web marketplaces like Silk Road and Sheep expose rank-and-file users to fraud and the threat of criminal prosecution.

Reference

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