

THE FUTURE OF CRYPTO MONEY IN BITCOIN SPECIFICATION IN THE WORLD AND IN TURKEY

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Abstract: *The aim of this study is to examine the conceptual framework of cryptocurrencies in general and Bitcoin in particular, Moreover the history of its emergence and the functioning of the crypto money system will also be discussed. In this study, after revealing the conceptual framework of cryptocurrencies, it is compared with the existing banknotes in the financial markets. Also, a comparison is made with different application examples in different countries in the world. However, by examining the 23-year existence of Bitcoin, which is the crypto currency, in the financial markets, it has been tried to answer the question marks in the society and it has been tried to contribute theoretically to the existing literature gap on this subject to answer the questions about the future of Bitcoin.*

Key words: *Crypto Money, Bitcoin.*

JEL Classification Codes:

1. INTRODUCTION

In financial markets and the financial instruments used have lost their popularity over time, and digital money and its derivative products and instruments have become more popular in the markets. While transactions made with Bitcoin are transparent and open to the public, the identity information of the people making these transactions is kept confidential unless changed. This provides a transparent working environment for companies and individuals.

The increase in the value of Bitcoin and the significant increase in the number of Crypto money users show that the developments in the crypto money market will accelerate even more. It shows that these developments will be effective in the development of both technological developments and crypto money in financial markets. After the global crisis in 2008, the loss of trust in institutions in the financial sector and the financial structures of states has led to an increase in the effectiveness of crypto money systems.

Money has three basic properties. It is possible to evaluate whether Bitcoin is a real money or a currency by looking at these basic features. Since cryptocurrencies are not tied to a country's currency, their nominal value is formed according to the demand levels of

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individuals or institutions. In particular, the fact that Bitcoin has become known in the markets in the last 10 years, accepted by people and used in trading transactions shows that money has the function of being a medium of exchange. A shortcoming here is that since Bitcoin is not yet fully known by everyone, it can be said that it does not fully provide the feature of being a medium of exchange.

In addition, it can be said that this feature of Bitcoin is insufficient because the amount of supply is certain, that is, it is not unlimited. As for the other function of money, whether it is a tool to accumulate value (saving), it is seen that Bitcoin has recently turned into a serious savings accumulation tool due to the desire of people to supply profit due to the increase in its value. In this sense, it can be said that money undertakes this function more. Since the supply of Bitcoin is limited, there is an expectation that its value will increase even more over time (Kuzu and Celik, 2020).

2. THE EMERGENCE OF BITCOIN

The Bitcoin currency was revealed by a person named Nakamoto, whose identity has not been known for decades, with a statement expressing a virtual network and encryption technology that he published on the internet in 2008, about 13 years ago (Yermack, 2013). In this nine-page statement made by Nakamoto, he stated that the money used in the current financial system has certain limitations in the purchase of goods and services or during money transfers, and that the high transaction fees paid to intermediary institutions during these transactions is the weak point of this system.

It has been stated that the realization of these transactions with Bitcoin as a virtual currency is both faster and easier and there will be no commission payment during money transfers since there is no third party. In the light of the information and explanations given, when it comes to defining Bitcoin; The most important feature of Bitcoin is that it has an 'Open source code' system, unlike other classical money systems. Thanks to this open coding system, users can use this system to develop this open coding system without the need for any intermediary and supply the Bitcoin in their virtual wallets to the digital money market (Carkacioglu, 2016).

Another definition of Bitcoin is as follows: Bitcoin can be defined as a virtual currency with the current payment and transfer system, which does not need any intermediary institution and has an open coding system that is not supplied to the financial markets by any particular institution (Ozbas, 2019). From this point of view, it is seen that the main purpose of Bitcoin, which is an alternative payment tool against the existing financial system, on the one hand, and on the other hand, this transaction is carried out anywhere there is internet between individuals and institutions without any intermediary bank and without paying any transfer fee in terms of money transfer.

3. BITCOIN IN THE FINANCE SECTOR

Bitcoin is seen as a store of value and a medium of exchange, like other classical currencies in the financial sector.

While transactions can be made at certain times of the day with many financial instruments, transactions can be made with Bitcoin every day of the week and at any time of the day.

In addition, the transaction can be made much faster than other financial instruments, and a much lower transaction fee is paid for these transactions.

In the United States, many state-affiliated institutions or organizations are working to make legal regulations on Cryptocurrencies. One of the institutions carrying out this work is

the Financial Crimes Enforcement Network. This institution works under the treasury and defines which companies in the country are to be designated as money forwarding companies. In the USA, there are different opinions about what Bitcoin is accepted as. In addition, Bitcoin is accepted as a payment tool by many of the leading stores in the USA. Moreover, there are two different decisions about Bitcoin as a virtual currency or commodity in the USA.

There is a positive outlook for Bitcoin in Canada. Bitcoin is not seen as a financial money, but as a commodity to be sold. The taxation process is done with the logic of the profit obtained from the sale of a commodity and profit obtained during the change of hands. This process varies depending on whether the relevant person or institution does any other business. In Canada, Bitcoin does not allow banks to act as intermediaries and use credit cards for business and transactions.

The Financial transactions authority based in the UK has a positive attitude towards Bitcoin business and transactions.

Although there has not been any regulation on Bitcoin so far, the work and transactions are evaluated like other monetary transactions. If Bitcoin is used as a payment instrument other than this, additional taxation is applied.

Although there is no negative point of view and practices regarding Bitcoin transactions in the European Union countries, a legal regulation that covers all union countries has not yet been made. For this reason, there is a different perspective and practice in each of the Union countries. For example, in Finland and Belgium, business and transactions related to Bitcoin are considered financial services and are exempt from VAT (Value Added Tax).

The Bulgarian government, on the other hand, made this arrangement to include Bitcoin while updating all tax laws. Bitcoin is considered legal in Germany.

Japan is one of the countries that are warmest to Bitcoin transactions and the earliest to make legal arrangements in this regard. Japan, which accepted that Bitcoin is a legal virtual currency on 01.04.2017 and bound it to legal regulations, has also made some arrangements to prevent the use of Bitcoin in money laundering transactions and to register the persons and institutions that carry out the transactions.

Russia was among the countries that initially looked at cryptocurrencies the most, but had to change this stance due to rapid developments. There is no legal regulation on this subject in Russia yet.

There is a concern that Bitcoin could be used specifically for illegal money laundering and terrorist activities. Here, the Central Bank, which is the most authoritative institution, has stated that it will introduce very serious regulations and inspections in this regard.

The Chinese government is among the countries that make regulations on cryptocurrencies. By emphasizing the uncertainty and instability of virtual currencies, legal regulations were made by introducing standards due to the great risks they carry.

Although there is no legal regulation of Bitcoin or cryptocurrencies in Vietnam, these coins are seen as legal and legitimate and their transactions are allowed. There are also countries in the world that have negative views and practices towards Bitcoin or cryptocurrencies. For example; In countries such as Ecuador, Colombia, and Bolivia, all Cryptocurrencies are neither legal nor legitimate.

For Turkey, the Banking Supervision and Regulatory Board has stated that cryptocurrencies are neither legal nor illegal, but it has warned people or institutions that invest in this issue that they should be very careful due to the sharp fluctuations in cryptocurrencies.

In Turkey, business and transactions are carried out through many cryptocurrencies, among which the most traded cryptocurrencies are Bitcoin, Bitcoin cash, Ripple, Digibyte and Steller.

4. ADVANTAGES OF USING BITCOIN AND ISSUES TO BE CONSIDERED

Unlike the payment instruments used in other classical banking systems, it has the feature of making transactions with Bitcoin more easily. While there are procedures such as using a card for shopping in the banking system, showing the ID card when necessary, entering a password; There are no such procedures in Bitcoin. It is sufficient only to bring the QR code of the encryption system in the computer environment to the phone screen and scan it to the relevant payment device. If Bitcoin users follow the rules necessary to keep their digital wallets safe, it is extremely secure with the high-level encryption that Bitcoin has (Yuksel, 2015).

There are no restrictions on time and place for transactions with Bitcoin.

Transactions can be performed at any time of the day, wherever there is a computer and internet connection.

In normal transactions, no fee is paid. However, if the transaction is requested to be paid faster, some fee must be paid. Since the work and transactions made with Bitcoin are done with the encryption method, it is possible to reach the transaction in the system. However, it is confidential, not public, by whom the transaction is made. For this reason, it is recommended to use a Bitcoin address once (Ates, 2016).

One of the weak points of Bitcoin transfer is that unlike the banking system, it can never be returned. Therefore, it is necessary to be careful. However, if an error is made in the address coding to be sent during the Bitcoin transaction, the system will not allow this transfer process. (www.bitcoin.org).

As Bitcoin becomes more widespread, the number of transactions and the number of users become more widespread, it will reach a more stable pricing level accordingly. This will be the point where supply and demand are balanced, as in other goods and financial instruments. In this sense, the situation of Bitcoin is more similar to money used as a financial instrument rather than a commodity market.

While transactions are made 24 hours a day, five days a week, in foreks, that is, in classical financial markets, transactions can be made uninterruptedly seven days a week with Bitcoin. However, while in the money markets, trillions of dollars are traded daily, this volume is only around 200 million dollars in Bitcoin. (Carkacioglu, 2016).

5. TECHNICAL AND FINANCIAL DISCUSSIONS ABOUT BITCOIN

It is stated that Bitcoin has a deflationary structure due to the fact that the number of users has increased recently due to its widespread use and this increase is more than the circulation speed of the Bitcoin system. However, there are also opinions against it. Those who support the opposite view state that the number of users is still very low in the current situation and this will not happen because other currencies are used in the same area. (www.economist.com).

It is mentioned that Bitcoin usage platforms are secure and user identities are confidential. However, a Bitcoin platform called Mt.Gox was accessed by hackers in 2011, and all the information of the people using this platform was obtained.

However, Bitcoin advocates stated that this situation occurred because the platform in question did not take adequate security measures.

One of the most important criticisms brought to the Bitcoin system is that in order to be able to transact with Bitcoin, it must be converted into one of the current country currencies. For this, only a Bitcoin buyer is required (Pirincci, 2018).

Since Bitcoin has a system that works without being connected to any center or institution as a medium of exchange in general, it has a very difficult and complex structure for new users who want to enter the system. In addition, if there is a shortage of liquidity in the current system or platform, it becomes difficult to exit the system.

There are also concerns about how reliable Bitcoin is and that it can be used in illegal business and transactions such as money laundering. However, the issue of unstable value increases and decreases in the value of Bitcoin is also problematic. For this reason, it is recommended to keep it in our account for transactions to be made with Bitcoin so that we will not experience serious economic problems in case of loss (www.bitcoin.org).

Another concern in this regard is that if Bitcoin spreads much more, the monopoly of printing money of central banks, which has a monopoly on printing money, will be ended (Yuksel, 2015).

6. CONCLUSIONS

Bitcoin, which has been in the virtual money market since 2009, has maintained its existence for about 13 years and has managed to create its own economy on international financial platforms as a crypto currency with millions of users.

The number of users is increasing day by day, despite the fact that it is new to the market and is not yet under legal regulation or protection, although there is a risk of being used in some illegal activities.

The reason why Bitcoin is so popular is that there is no time and space problem as a payment and transfer tool, and it can perform transactions at a very high speed.

The most important deficiency in the crypto money market: legally guaranteeing the savings of users with legal regulations that will be binding around the world will contribute positively to the development of this market.

Policies should be established for the establishment of the infrastructure of crypto money by supporting R&D studies on crypto money in Turkey, by taking legal legislation and supervisory and regulatory measures in this regard.

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