

The new technology, of trust

What is blockchain?

Blockchain is the backbone technology on which bitcoins run. Simply put, it is a digital public ledger that records every transaction. Once a transaction is entered in the blockchain, it cannot be erased or modified. Blockchain removes the need for using a trusted third party such as a bank to make a transaction by directly connecting the customers and suppliers. Each transaction is recorded to the ledger after verification by the network participants, mainly a chain of computers, called nodes. Blockchain today may be compared to what the Internet was in the early 1990s. While we have witnessed how the 'Internet of Information' has changed our society over the past two decades, we are now entering a phase where blockchain may do the same by ushering in a new paradigm comprising 'Internet of Trust' and 'Internet of Value', as per a Deloitte and Assocham study.

Where did it originate?

While the origin of the technology is not clear, it is widely believed that a person or group of people by the pseudonym Satoshi Nakamoto, who invented bitcoins, released the technology to support cryptocurrency.

What are the use cases?

Bitcoin is just one of the applications for the technology, whose use is being tested across industries. It is witnessing a lot of traction within India, in sectors such as banking and insurance. In most of these industries, players are coming together to form a consortium to realise the benefits of blockchain at an industry level.

For example, in India, there is a consortium 'BankChain' which has about 27 banks from India (including State Bank of India or SBI and ICICI) and the Middle East as its members. The consortium is exploring using usage of Blockchain technology to make business safer, faster and cheaper.

The Institute for Development and Research in Banking Technology (IDRBT), an arm of the Reserve Bank of India (RBI), is developing a model platform for blockchain technology.

What are the benefits?

The benefits of using blockchain will vary from case to case. However, according to a Deloitte and Assocham report on the issue, blockchain becomes a good fit when there is a lot of data that is shared across multiple parties with no trust mechanism among the participants.

Financial players are the first movers to capitalise on this technology. As per a study by the World Economic Forum, "With over 90 central banks engaged in Blockchain discussion globally, over 2,500 patents filed over the last three years and 80% of the banks predicted to initiate Blockchain and distributed ledger technology (DLT) projects by 2017, the Blockchain technology is on its course to become the new normal in the world of financial services." Non-financial players too have been paying attention to and looking for ways to leverage the opportunities that blockchain offers, the report adds, pointing out that the front runners among them are retail, travel, health care, telecommunications and public sector industries. "The major use cases applicable to these industries are focused on the decentralized data storage, data immutability, and distributed ownership features of Blockchain," it says.

Blockchain is expected to improve the efficiency of a transaction by eliminating the middlemen, while also reducing the cost of all transactions. It is also likely to increase transparency. and bring down fraud as every transaction would be recorded and distributed on a public ledger.

What is happening in India?

A high-level committee, which consists of officials from the Ministries of Finance, Home Affairs and IT as well as SEBI, the RBI, SBI, and NITI Aayog, is currently deliberating on whether or not cryptocurrencies should be banned in India. However, the discussions till now are learnt to be in support of encouraging the use of blockchain technology.

The new U.S. Fed Chairman is unlikely to opt for policies that might upset the President's plan

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