## BLOCKCHAIN AND CRYPTOCURRENCY

## Overview and Origin

\*The Ripple company, involved in the business of global monetary remittance was cofounded by Jed McCaleb, Chris Larsen & Arthur Britto in late 2012.

\*Ripple was established on the core idea of modernizing the current structure of remitting money and bringing the latest technology into effect. The present network of “Society for Worldwide Interbank Financial Telecommunication” (SWIFT) required heavy transaction cost as well as extensive delays in remitting the money, as a result of which founders of Ripple brought an idea of invention of such a platform which could send money instantly with minimal transaction cost as well as in a decentralized form. Which mean no specific body regulating the money transfer.

\*Initially the company started with the capital invested by the founders in 2012. However, by 2013 it raised capital investment of $2.5 million by angel investors. Nevertheless the company now is generating funds by the selling its holdings in XRP. Other than this company has also brought in investments from various investors including Tetragon ( New Yok), SBI holdings (Japan) and Route 66 Venture (Virginia). Along with this Company over the period of time company has raised a total funding of $ 293,702,952 which is spreads over the period of 8 years since its incorporation. However the major fund raising was brought during 2019 when the Ripple was able to generate $200 million taking it to the net worth of $10 billion.

## Business Activities

\* With an aim of reaching to a total balance of $2 trillion cross border payments, Ripple is trying to help modern era which includes companies as well as individual to make instant and cost effective international monetary transfers. It is also trying to create an environment of distributed ledger technology, which will be more customer oriented and globally operative. It will not only provide customers the maximum benefit of the transaction but also at minimum cost.

\* With reference to the core business activities, Ripple has kept its focus on the financial institutions, as a result of which, they have established business relations with over 300 financial institutions spreading in more than 40 countries. Along with this the added advantage which Ripple carries over its competitors is the unmatched speed provided. As it only takes 4 seconds for a transaction to be completed on ripple, while the closest competitor providing the same services takes a minimum of 2 minutes to transfer the payment. Not only this, if we go through the SWIFT channel used by current banking industry it can take days to complete a transaction.

\* Currently, Ripple is using Xpring ledger the digital Asset Ledger which acts as a medium to bridge countries. They tend to focus and invest in the companies which have the same vision as they are of having decentralized ledger.

\* Along with this Ripple is also using 93 different technologies which include Viewport Meta, IPhone and SPF for the support of remittance and website functioning. While 38 different technological products and services including HTML5, google analytics and jQuery are also being used.

## Land Scape

\* The company is operating in the industry of Financial services industry for the purpose of monetary remittance while practicing in the domain of have Blockchain and Cryptocurrency. Which means ripple is using the blockchain technology to achieve its core business objective.

\* Over the past decade, blockchain technology have been through a lot of innovations, as compared to the point where it started in 2010. Initially it started as the technology used for operating crypto currency.

\* However later it was identified that, blockchain can be separated from being associated with cryptocurrency and could be used for various other organizational purposes as well. As per the article in Harvard business review published in 2017, most of the financial institutions were hands on with the research on blockchain and it was then expected that 15% of the banks would be using this technology by the end of 2017.

\* After this the major development which blockchain technology adopted was the development of Smart contracts, which also allowed the debt instruments to be represented. Along with this these are digital automated contracts which operates automatically without human interaction, depending on the execution of the event.

\* Subsequently, another positive step taken in the development of blockchain was the arrival of “Blockchain Scaling”. Initially every computer connected to the blockchain network used to process each of the transaction, however successful implementation of scaling will increase the efficiency and will only request those computers on the network to validate the transaction which are required to.

\* Other major companies operating in the same domain as Ripple include:

1. Bitcoin
2. Dogecoin
3. Litecoin
4. Coinbase
5. Ethereum
6. Blockchain
7. Block stream

## Result

\* Since the launch of this business, Ripple has been satisfying the needs of the customers by providing the fastest services as mentioned above. Not only this, the positive impact that ripple have created over the period, have brought in people to do international transfers who were not doing it previously, while have encouraged those involved in these transactions previously to do more with less reluctancy as they are getting more aware and clear of the route of the transaction.

\* Moreover, with over 300 institutional clients including Santander and Standard Chartered Bank, depicts about the extensive business effect Ripple is having around the globe. Along with this, the investment of $293 million during 2019 by the major tech giants which including google and Accenture shows promising business for Ripple in near future.

\* Some of the basic core metrics which companies use to measure the performance are :

1. Transaction time
2. Transaction fee
3. Volume of Transactions

\*Based on the 2 of the above provided metrics, Transaction time and Fee, Ripple has been performing really well in the market as it not only charges minimum but also takes least time to complete the transaction.

\* Though, in comparison to its competitors Ripple is doing good in terms of time and fee, however the supply for ripple is much more that of its competitors as a result of which it is difficult for the company to have the advantage of pricing due to Economic Demand Supply Gap

\* In order to tap in new markets and increase its customer base, Ripple should try to enter into contracts with major players of the market and promote its XRP business via there platform as well. It will not only create a recognition in the market but can also provide ripple to increase its business via this new venture.

\* Further based upon the policies established by Ripple and considering the economic terms it would be highly recommended to put a cap on their supply 100 billion XRPs to a lower amount so as to avail the benefit of free market forces which would result in increase of the net worth per unit of XRP.

\* Considering the practice adopted by the competitors, Ripple can also allow to Mine XRPs, as it will then breakout from the label of being centralized blockchain mode.

## Recommendations

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\* Reducing the maximum number of XRPs will increase worth per unit, avoiding the inflationary effect; and

\* Their demand would increase, when people will look towards it with an aim to mine. As a result of this their product can get marketed and can touch those areas of market which they are currently unable to enter.

The mining requires the blockchain technology, therefore if company opts to mine its products then it will require no additional technology instead current blockchain. Therefore, this is the only appropriate technology because for mining one can only use blockchain technology and no other.

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