



RESEARCH ARTICLE
Vol.9.Issue.2.2022
April-June



INTERNATIONAL JOURNAL OF BUSINESS, MANAGEMENT AND ALLIED SCIENCES (IJBMAS)

A Peer Reviewed and refereed Journal

A CONCEPTUAL STUDY OF CURRENT SCENARIO AND FUTURE PROSPECTS OF CRYPTOCURRENCY IN INDIA

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DOI: 10.33329/ijbmas.9.2.1



ABSTRACT

Cryptocurrency is decentralized digital money that is based on blockchain technology and secured by cryptography. To understand cryptocurrency, one needs to first understand three terminologies – blockchain, decentralization, and cryptography. Bitcoin and most other cryptocurrencies are supported by a technology known as blockchain, which maintains a tamper-resistant record of transactions and keeps track of who owns what. The creation of blockchains addressed a problem faced by previous efforts to create purely digital currencies: preventing people from making copies of their holdings and attempting to spend them twice. Between 2012 and 2017, the popularity of cryptocurrency in India grew immensely. Cryptocurrency is not legal tender in India. While cryptocurrency in India can be exchanged due to the absence of a robust regulatory framework, a protracted licensing process makes it very difficult for certain service providers' technologies to operate. Since major information is available in the form of business articles, government news, budget reviews, etc. Thus secondary data is taken as the base for this study. The basic objective of this study is to understand the structure, benefits and future of cryptocurrency in India.

Keywords: Bitcoin, Cryptocurrency, RBI, Investment, Digital currency

INRODUCTION

Counting backwards, just 12 years down the lane, Crypto-world was an alien community to just about the entire world. It still is, but the percentage of such people has reduced drastically. From the times when people were found questioning its skeptical nature, speculating about its pseudo named creator, seeing a likely proposed ban, to disclosing it in "IT Returns from the April of 2022, India has come a long way. Cryptocurrency, sometimes called crypto-currency or crypto, is any form of currency

that exists digitally or virtually and uses cryptography to secure transactions. Cryptocurrencies don't have a central issuing or regulating authority, instead using a decentralized system to record transactions and issue new units. Crypto currencies are not regulated by any authorities and are a decentralized form of currency. They are created using cryptography which makes it even more secure as double spending can be avoided. Moreover, there are no intermediaries so they can be directly transferred to the receiver in their digital wallet. Cryptocurrency received its name because it uses encryption to verify transactions. This means advanced coding is involved in storing and transmitting cryptocurrency data between wallets and to public ledgers. The aim of encryption is to provide security and safety. The first cryptocurrency was Bitcoin, which was founded in 2009 and remains the best known today. Much of the interest in cryptocurrencies is to trade for profit, with speculators at times driving prices skyward.

Cryptocurrency examples:- There are thousands of cryptocurrencies. Some of the best known include:

- Bitcoin: Founded in 2009, Bitcoin was the first cryptocurrency and is still the most commonly traded. The currency was developed by Satoshi Nakamoto – widely believed to be a pseudonym for an individual or group of people whose precise identity remains unknown.
- Ethereum: Developed in 2015, Ethereum is a blockchain platform with its own cryptocurrency, called Ether (ETH) or Ethereum. It is the most popular cryptocurrency after Bitcoin.
- Litecoin: This currency is most similar to bitcoin but has moved more quickly to develop new innovations, including faster payments and processes to allow more transactions.
- Ripple: Ripple is a distributed ledger system that was founded in 2012. Ripple can be used to track different kinds of transactions, not just cryptocurrency. The company behind it has worked with various banks and financial institutions.

Non-Bitcoin cryptocurrencies are collectively known as “altcoins” to distinguish them from the original.

Since the inception of Bitcoin in 2009, the cryptocurrency's technology has been quite noticeable. Because of its autonomy and convenience, the new type of currency has become a popular and viable source of cash all across the world. To serve as an alternative source of money, many varieties of cryptocurrencies have been developed. Some claim that cryptocurrency will have a detrimental influence on the global economy, whereas others believe that it would improve it. The legitimacy of cryptocurrencies in India has been a bit hazy so far. Despite uncertainty around the future of cryptocurrencies in India, investments in the unregulated digital asset, especially Bitcoin, has shown a breathtaking upward trend since 2020.

LITERATURE REVIEW

In recent years, cryptocurrency – and in particular, Bitcoin – has demonstrated its value, now boasting 14 million Bitcoins in circulation. Investors speculating in the future possibilities of this new technology have driven most of the current market capitalization, and this is likely to remain the case until a certain measure of price stability and market acceptance is achieved. Apart from the declared price of cryptocurrency, those invested in it appear to be relying on a perceived “inherent value” of cryptocurrency. This includes the technology and network itself, the integrity of the cryptographic code and the decentralized network.(pwc.com)

With the popularization of internet technologies, virtual currency – called cryptocurrency has also been invented. A popular form of cryptocurrency is bitcoin. As cryptocurrency became popular, people started investing and trading in bitcoins across the globe even though the trade was not regulated. Trading in an unregulated sector can lead to money laundering, fraud and even terrorist

funding. This popularly growing new sector also requires tax reforms to account for the incomes being generated by the consumer. However, there was no existing protection - neither for consumers nor for the business runners in India. (Rahul Chopra, 2020)

Cryptocurrencies in general and bitcoin in particular came outside of the academia. However, since their introduction contribution of academia in this financial monetary field has been very significant. However, since the cryptocurrency market is evolving with an enormous speed and there is a significant dose of confusion of what is going on, it is in our opinion that academic research in this field should be taken with reserves and caution. Despite these facts, academic research on cryptocurrencies has contributed by exposing limitations and pitfalls of cryptocurrency system of payments, but also by proposing ways to overcome those.

According to Sarah Meiklejon et al (2016) Bitcoin is a purely online virtual currency, unbacked by either physical commodities or sovereign obligation; instead, it relies on a combination of cryptographic protection and a peer-to-peer protocol for witnessing settlements.

In India, the apex financial authority i.e., the Reserve Bank of India ("RBI"), recognised cryptocurrency, more specifically defined as a form of digital/ virtual currency created through a series of written computer codes based on cryptography / encryption and is thus free of any central issuing authority per se. Cryptocurrency is assisted through blockchain technology, that establishes a person-to-person issuance system that utilises private and public keys allowing authentication and encryption for secure and safe transactions.

OBJECTIVES

- To understand the concept and emergence of cryptocurrency.
- To study the advantages and drawbacks of cryptocurrency.
- To analyse the legal status, challenges and opportunities of cryptocurrency in India.

METHODOLOGY OF STUDY

Till now not much work has been taken up in relation to this topic. So, basically the paper is based on the data and information collected through secondary sources like, newspapers, magazines, official speeches, articles, TV news channels, etc. Major information is available in the form of business articles, government news, budget reviews, etc. Thus secondary data is taken as the base for this study.

DISCUSSIONS

Between 2012 and 2017, the popularity of cryptocurrency in India grew immensely. In India, cryptocurrency exchanges such as Zebpay, Coinsecure, Unocoin, Koinex, and Pocket Bits have sprung up during this time. Several other cryptocurrencies were also introduced in the global digital economy throughout this time period. It is also essential to note that Bitcoin, the most popular cryptocurrency, had risen from roughly \$5 at the start of 2012 to almost \$1,000 by the end of 2017, which genuinely reveals the growth of popularity of crypto. In 2013 and 2017, the Reserve Bank of India stated on cryptocurrency in two press announcements that expressed its concerns on cryptocurrencies. The announcements very clearly indicated that the virtual currency is not backed by them as well as disallowed commercial banks from accepting it as a deposit or a medium of exchange. This statement was set aside by the Supreme Court in 2017 due to two PILs filed, one for banning crypto and the other for regulating crypto.

Reasons for the rise in demand for cryptocurrency around the globe: One of the major global acceptance drivers for cryptocurrency has to be the interest shown by the institutional players. Once the prices reached new highs, by breaking multiple resistance zones, people started putting their trust on the uptrend, thereby leading to continuous up move and amplified acceptance. Also, right now, crypto is a hot favourite in the retail space, riding on the perks of P2P payments and secure transactions.

Despite the price volatility, top merchants are letting consumers pay using Bitcoins and even Altcoins, owing to the transactional safety in play. With consumers getting access to inventive crypto-related services in the future, the acceptance is only expected to move forward, from here. As blocks run on a peer-to-peer network, it helps keep corruption in check by tracking the flow of funds and transactions. For those who believe in the objective traits of money, cryptocurrency comes forth as an optimistic change. Price surges aside, most popular cryptocurrencies like Bitcoin and Ethereum have shown tremendous value, urging investors to foray into this space, from a more inclusive point of view. When Bitcoin was launched, obtaining cryptocurrency was difficult. Only the people who could mine crypto coins would have it. But that is not the case anymore. They can be easily bought from crypto exchanges and investors have lots of options to choose from if they don't want to buy the most expensive cryptocurrencies like Bitcoin and Ethereum. From novice traders, short-term investors to long-term investors, there's a crypto coin for everyone. While Bitcoin has become synonymous with the term cryptocurrency, other popular cryptos are Dogecoin, Ripple, Matic, and Binance Coin. Another aspect is that Cryptocurrencies can help save money and substantial time for the remitter and the receiver, as it is conducted entirely on the Internet, runs on a mechanism that involves very less transaction fees and is almost instantaneous. Cryptocurrencies' rules are another reason why they have grown so popular. When it comes to cryptocurrencies, you don't need to interact with a third party. Users feel more comfortable. Because cryptocurrencies are digital currencies, they do not need a third party. You may do business regardless of your location. Cryptocurrency is a low-cost way to do business. To trade digital currencies, you do not need to spend any money. An iPhone is all you need, as well as a rudimentary understanding of cryptocurrency to transact. The majority of digital currencies need the payment for transactions. You don't have to pay for transactions in the case of cryptocurrency. Those that mine cryptocurrencies, also known as miners, are compensated through the network itself.

Advantages of using cryptocurrency: Cryptocurrency is a digital version of money that takes the form of virtual tokens or coins. We can use it to buy or sell items from people or companies that accept such payments. A cryptocurrency transaction is generally a quick and straightforward process. For example, Bitcoins can be transferred from one digital wallet to another, using only a smartphone or computer. Every cryptocurrency transaction is recorded in a public list called the blockchain, which is the technology that enables its existence. This makes it possible to trace the history of Bitcoins to stop people from spending coins they do not own, making copies or undoing transactions. Blockchain aims to cut out intermediaries, such as banks and online marketplaces, which means there are no payment processing fees. Cryptocurrency payments are becoming more widely used, amongst large organisations, and in sectors including fashion and pharmaceuticals. Cryptocurrency is one of the most secure and reliable forms of digital cash available today. In a society with so many con artists and thieves, we all must handle our affairs in the safest possible way. Cryptocurrencies provide us with such confidence, making them a valuable investment option both today and in the future. Cryptocurrencies' privacy and security have long been an essential worry. The blockchain ledger is of a series of difficult-to-solve mathematical riddles. As a result, bitcoin transactions are more secure than regular electronic transactions. Cryptocurrencies employ pseudonyms unrelated to any user, account, or recorded data linked to a profile for improved security and privacy. One of the most significant advantages of cryptocurrencies is that they are largely decentralised. Many cryptocurrencies are controlled by the developers who use them, as well as individuals who own a large amount of the coin, or by a firm that is developing it before it is launched into the public. Unlike fiat currencies, which are controlled by the government, decentralisation helps keep the currency monopoly free and in check. As a result, nobody organisation can control the flow and thus the value of the coin, which keeps it stable and secure.

Drawbacks: It has the potential to be used in illegal transactions. Because bitcoin transactions are so private and secure, it's difficult for the authorities to trace down or monitor any individual based on their wallet address. Bitcoin has already been used to transfer money in a variety of illegal transactions,

including the purchase of narcotics on the dark web. Some people utilize cryptocurrency to mask the origins of their illegally acquired money by converting it via a trustworthy intermediary. Although cryptocurrencies are very safe, exchanges are not. Most exchanges save user wallet info from operating their user I.D. correctly. Hackers might steal this information, allowing them access to many accounts. The cryptocurrencies are known for its feature of being decentralized. But, the flow and amount of some currencies in the market are still controlled by their creators and some organizations. These holders can manipulate the coin for large swings in its price. Even hugely traded coins are susceptible to these manipulations like Bitcoin, whose value doubled several times in 2017. Mining cryptocurrencies require a lot of computational power and electricity input, making it highly energy-intensive. The biggest culprit in this is Bitcoin. Mining Bitcoin requires advanced computers and a lot of energy. It cannot be done on ordinary computers. Major Bitcoin miners are in countries like China that use coal to produce electricity. This has increased China's carbon footprint tremendously.

Legal status of crypto currency in India: The cryptocurrency industry kicked off with the popularisation of Bitcoin around the year 2008. The crypto landscape has exponentially grown since, wherein currently over 10,000 cryptocurrencies are being traded across the world. India, infact already has the most significant number of crypto investors in the world. The Government of India has imposed tax on cryptocurrencies and at the same time clarified that tax on cryptocurrencies does not mean it has been legalised. Cryptocurrency is not legal tender in India. While cryptocurrency in India can be exchanged due to the absence of a robust regulatory framework, a protracted licensing process makes it very difficult for certain service providers' technologies to operate. Although there is a lack of clarity over the tax status of cryptocurrencies, the chairman of the Central Board of Direct Taxation has said that anyone making profits from Bitcoin will have to pay taxes on them. Other Income Tax Department sources have suggested that cryptocurrency profits should be taxed as capital gains. In February 2022, Minister Bhagway Karad, indicated that cryptocurrency transactions could face a 30% tax – and the government subsequently announced taxation provisions for cryptocurrencies in its 2022 annual budget. Governance and maintenance of any currency is a major factor for its development. The cryptocurrency transactions are stored by developers/miners on their hardware, and they get the transaction fee as a reward for doing so. Since the miners are getting paid for it, they keep transaction records accurate and up-to-date, keeping the integrity of the cryptocurrency and the records decentralized.

Future of crypto currency in India: A survey was conducted in the beginning of 2022. From the survey, it is observed that 95.20% of the total respondents believed that crypto currencies in India will exist even after a decade. While the rest 4.80% of the respondents think that crypto currencies will not exist in the future with government regulations that might come up in the future. But with so many investors investing in crypto currencies, there are chances that crypto will exist in the future even with the regulations put on by the government. (Analytics Insight) After China's stance towards crypto, India seems to have gained the attention of global players, both in terms of investment and mining. Also, as per the latest report, India has the highest number of Cryptocurrency owners in the world at over 100 million. Cryptocurrency especially Bitcoin offers a new, effective and attractive model of payment methods that can boost companies and operators revenues. It also provide alternative method of payment, apart from real money, that enable users to make financial activities such as buying, selling, transferring and exchanging easily. Cryptocurrency can bring more positive changes to e-Business and e-Payment sector. However cryptocurrency doesn't get that much of trust yet. Many concerns, challenges and issues are existing in many cryptocurrency platforms. Until cryptocurrency is being well regulated and controlled, users need to take extra precautions of using such virtual money. So the lack of legislations is considered as the main concern in cryptocurrency systems.

The Cryptocurrency and Regulation of Official Digital Currency Bill, 2021, will aim to regulate the cryptocurrencies in the country. The law will also become the basis for the introduction of RBI issued digital currency in India. The RBI is expected to use the underlying technology of

cryptocurrency, which is blockchain, to issue digital currency. The government will also aim to promote other use cases of blockchain technology.

CONCLUSION

With the industrialization and involvement of technology, digital currencies are gaining an upper hand over others. Digital currencies are obtaining a competitive advantage as a result of increased industrialization and technological participation. This well-known terminology is familiar to many people. It is easier to transfer funds directly between two parties using cryptocurrencies, rather than relying on a trusted third party such as a bank or other institution. The government needs to take an effective step towards the positive regulation and enforcement of cryptocurrency as a way forward to earn the confidence of investors and the general public in developing the nation. Inflation has caused many currencies to get their value declined with time. Almost every cryptocurrency, at the time of its launch, is released with a fixed amount. The source code specifies the amount of any coin; like, there are only 21 million Bitcoins released in the world. So, as the demand increases, its value will increase which will keep up with the market and, in the long run, prevent inflation. A major pro of cryptocurrency is that they are mainly decentralized. A lot of cryptocurrencies are controlled by the developers using it and the people who have a significant amount of the coin, or by an organization to develop it before it is released into the market. The decentralization helps keep the currency monopoly free and in check so that no one organization can determine the flow and the value of the coin, which, in turn, will keep it stable and secure, unlike fiat currencies which are controlled by the government. Since the privacy and security of cryptocurrency transactions are high, it's hard for the government to track down any user by their wallet address or keep tabs on" their data. Bitcoin has been used as a mode of exchanging money in a lot of illegal deals in the past, such as buying drugs on the dark web. Cryptocurrencies are also used by some to convert their illicitly obtained money through a clean intermediary, to hide its source.

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