



GOVERNMENT REGULATIONS HAMPERED THE GROWTH OF CRYPTO MARKET IN INDIA - A MYTH OR A FACT A DEPTH STUDY

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Abstract: Crypto Currency is one of the emerging ways of investing. There are many people all over India who are gaining knowledge and starting their investment in the new type of investment. The main reasons behind the growth of crypto currency are that it removes the central bank from controlling the money supply, significant growth over the years demonstrating and attracting investors. This paper investigates Government Regulations hampered the Growth of Crypto Market in India. The government of India has still not legalized the trading in crypto currency because there are many reasons due to which they have kept certain restrictions such as security issue, increase in terrorism, increase in black money and their holding over the Indian currency. Besides, the paper is aimed to analysis government regulations on crypto currency, future of crypto currency in India, and traders' response towards crypto market. Also, in this research non probability sampling design is used with purposive sampling technique where the reviews of investors were taken from all over India. Output of survey describe that many of the investors possess the knowledge of crypto market but are not currently investing in the crypto market they believe that once the government of India legalized the trading of crypto currency than there will be a great growth of crypto currency in India. They believe that crypto has future in India and will be on the great demand in coming days. If the problem like security, risk, terrorism gets solved than more people will invest in the crypto market.

Index Terms - Cryptocurrency, Government Regulations, Growth of Crypto Market, Investors.

I. INTRODUCTION OF INDUSTRY

There is no doubt that the era of information and communication technology has created many golden opportunities in many ways. One sector that could benefit from these technologies and online connectivity is the financial and economic sectors. The rise of online users has revived the concept of the virtual world and created a new business phenomenon. Thus, new types of trade and currencies appeared. One notable form of financing that has emerged in recent years is cryptocurrency. Cryptocurrency (CC) can be defined as any medium of exchange that can be used for many financial transactions, virtual or real, other than real money. Cryptocurrencies are valuable and intangible objects that can be used electronically or virtually in a variety of applications and networks, such as online social networks, online games, virtual worlds, and peer-to-peer networks.

A cryptocurrency is a digital currency created as a regular currency for the purpose of trading. It uses cryptography and blockchain technology to secure exchanges, limit the production of certain types of cryptocurrencies, and track all transactions across the network. The most popular virtual currency is Bitcoin. Bitcoin was created in 2009 by a group under the pseudonym Satoshi Nakamoto. Recently, Bitcoin has created a lot of hype in global and Indian financial markets. Until now, virtual currencies were not recognized as fiat or fiat currencies. Several cryptocurrencies available on the market – Bitcoin, Ethereum, Binance Coin, Tether and many others are available on the market.

II. IMPACT OF CRYPTOCURRENCY

Since the birth of Bitcoin in 2009, the economic impact of cryptocurrencies has been both obvious and subtle. Fourteen years after its existence, digital or virtual money in the form of tokens and coins has emerged as a viable form of currency and investment. The economic impact of cryptocurrencies is evident in many areas of the domestic and global community.

As of January 2022, there are over 2,000 cryptocurrencies in existence and approximately 36.5 million people living in the United States own some form of cryptocurrency. While cryptocurrencies as a whole have not impacted much of the economy like the stock market. Although still a young currency, the economic impact of cryptocurrencies is expected to continue to be a relevant debate among economists and investors.

III. REASONS FOR POPULARITY OF CRYPTOCURRENCY

- Cryptocurrencies remove central banks from controlling the money supply
- More secure than traditional blockchain payment systems.
- Cryptocurrencies have seen significant growth over the years demonstrating and attracting investors.

IV. OVERVIEW OF WORLD MARKET

The global cryptocurrency market is valued at \$1.69 billion in 2021 and is projected to reach a CAGR of 7.2% during the forecast period. The significant growth is due to the growing demand for platforms that can trade in these currencies. These platforms act as intermediaries between sellers and buyers, generating revenue through commissions and transaction fees.

The COVID-19 pandemic has had a serious negative impact on the global economy. As the virus spread, many businesses were closed. Most were small and medium-sized enterprises, but large enterprises were also affected. However, given the uncertainty caused by the spread of the virus, a lot of attention is focused on cryptocurrencies such as Bitcoin and Ethereum. In the midst of the pandemic, even banks are investing in cryptocurrency trading platforms for the first time started. The bank has started developing its own system (based on blockchain) to facilitate B2B cryptocurrency payments.

V. OVERVIEW OF INDIAN MARKET

With the current cryptocurrency market price falling, the impact of cryptocurrencies on the Indian economy is becoming clearer. The Indian government has made it clear that it will not grant legal status to Indian cryptocurrencies. The reason the government made this decision is, first, that monitoring the decentralized transactions of cryptocurrencies is difficult to track and can also benefit hacker, criminal and terrorist activities. The second reason is that the cryptocurrency market could be a serious competitor in the banking services space.

In the Indian context, cryptocurrencies have some limitations they are:

1. Reliability and security
2. Speculative and risky
3. Taxing trouble
4. Lack of regulatory body
5. Price Volatility and KYC Norms

VI. LITERATURE REVIEW

1. **Shailak Jani**, who conducted research on the topic “**The growth of crypto currency in India: Its challenges and potential impacts on legislation**”. The author has described the crypto market in view of the global market and its growth in India. The researcher has done the pilot survey about the different aspects of crypto currency: spread of virtual currency, use of crypto currency, future of using virtual currency. Also, the researcher has analysed the countries dealing on the crypto market where 21 countries were reviewed where 15 countries were friendly with regulation of crypto currency. 4 countries were neutral and 2 countries were hostile with regulation of crypto currency.
2. **Deshant Singh Thakur, Prof. Raj Varma, Prof. Damodar Mayappa Hake** who conducted research on “**Regulation of Cryptocurrency in India: Issues and Challenges**”. The paper examines investors' long-term assumptions of digital money and their trust on digital currency; moreover, it describes the effect of cryptographic money on singular position and its effect on different regulations in India. The ban on cryptocurrency has been uplifted by the government of India but still not recognized as currency by RBI. Cryptocurrencies are creating an alternative business environment for Indian entrepreneurs.
3. **Kurihara & Fukushima** conducted research on title “**Crypto - legal barrier should be or not?**”. Explained, it is not digital cash, which has prevailed all over the world. Unlike central bank- and government-issued currency, Bitcoin can be inflated at will, the supply of Bitcoin is limited to a certain volume, which cannot be changed.

1. PROBLEM STATEMENT

The problem identified is “Government Regulations hampered the Growth of Crypto Market in India - A myth or a Fact A Depth Study”. As in this democratic world the regulation of country currency is in the hands of the government and where in India RBI regulates the Indian currency. In 2016 the PM declared the ban on 500 and 1000 denomination currency where people faced many difficulties changing those denomination currency. So due to these reasons people are looking forward to those currencies where government intervention is nil or comparatively less. This project is basically on whether the government regulations have effect on the cryptocurrency is it reality or just a fact.

2. OBJECTIVE OF THE STUDY

- To analyse the government regulations over the crypto market.
- To know the future of cryptocurrency in India.
- To evaluate traders' response toward crypto market.

3. RESEARCH METHODOLOGY

Research is completely based on a logical and systematic way. The study of the overall questions explains with the help of scientific techniques, specific procedures, collecting data from trader and analysing these with logical and scientific tools.

3.1 RESEARCH DESIGN

Type of Methodology: Descriptive research.
 The methodology for research adopted for carrying out the study is:
 1st stage – Theoretical/Detailed study was completed.
 2nd stage – Trader’s view on government regulation for crypto market.

3.2 SAMPLING

Sampling design	Non-probability sampling
Sampling technique	Purposive sampling
Sample unit	Traders
Sample size	100
Area of study	Investor from all over India
Data analysis method	Tables and graphical method

3.3 DATA COLLECTION METHOD

In this research, internal and external source of data are used. The raw materials were collected through researchers. Collecting data from market records and document, these are all internal data and other data are external.
 In data collection, there are 2 types-
Primary Data- In this, questionnaire will be used for collecting the data.
Secondary Data- It is gathered from standard books, internal sources, newspapers and magazines, also collecting data from external and internal sources.

4. ANALYSIS & INTERPRETATION

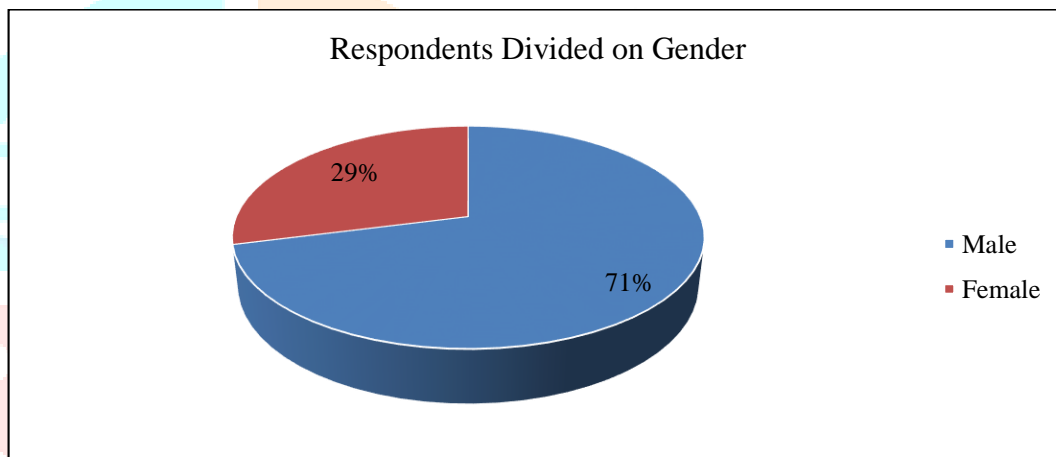


FIGURE 1

Interpretation: For this survey among 100 respondents 71% of responders (majority) are males.

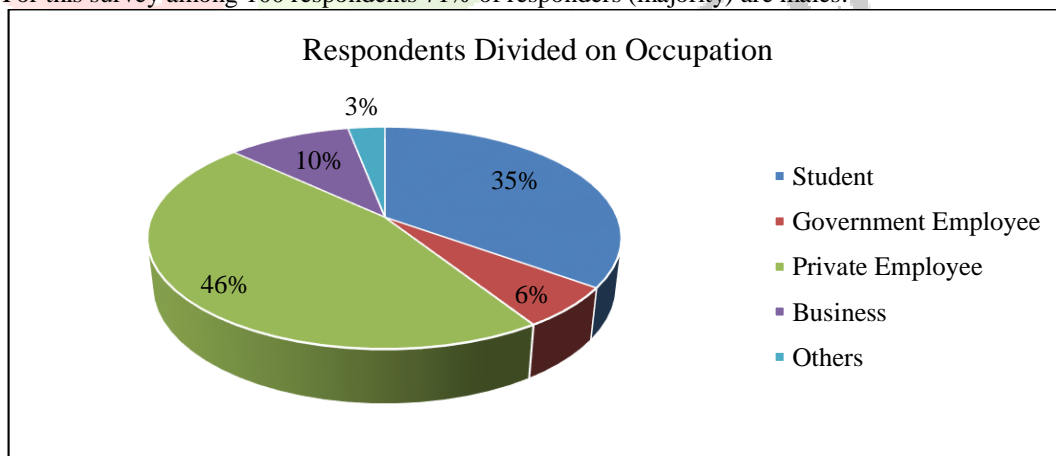


FIGURE 2

Interpretation: For this survey majority, 46% of respondents (majority) are Private employees when it comes to occupation.

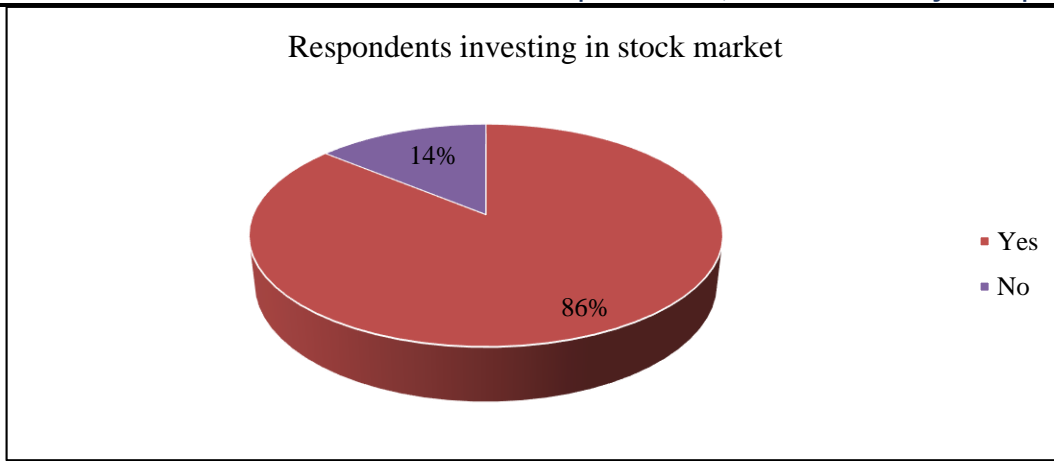


FIGURE 3

Interpretation: For this survey majority, 86% of respondents (majority) are investing in stock market.

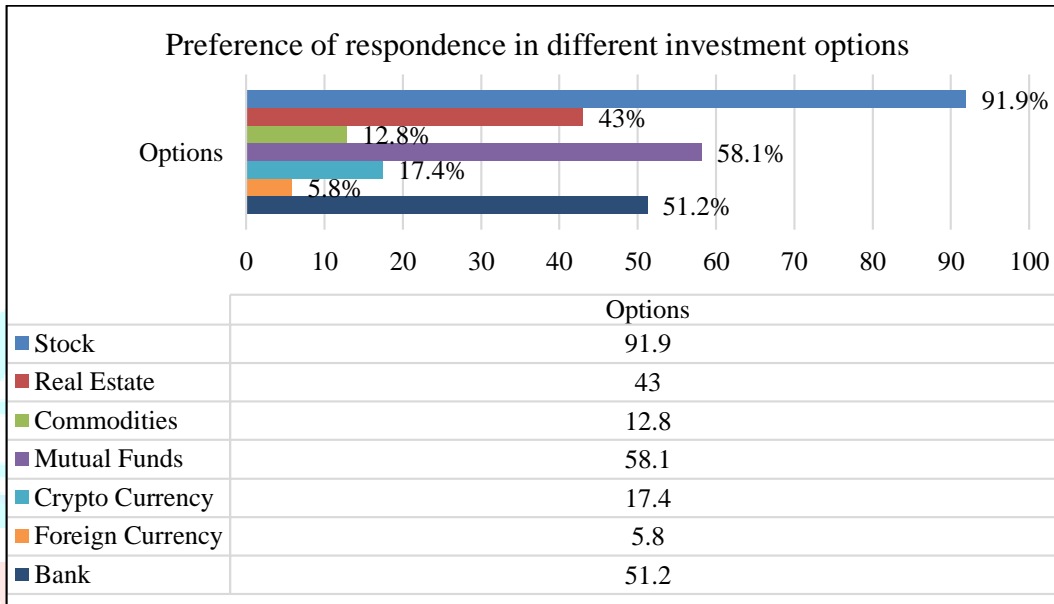


FIGURE 4

Interpretation: For this survey majority of respondent invest in stock market with other option and least investment is foreign currency invested by response.

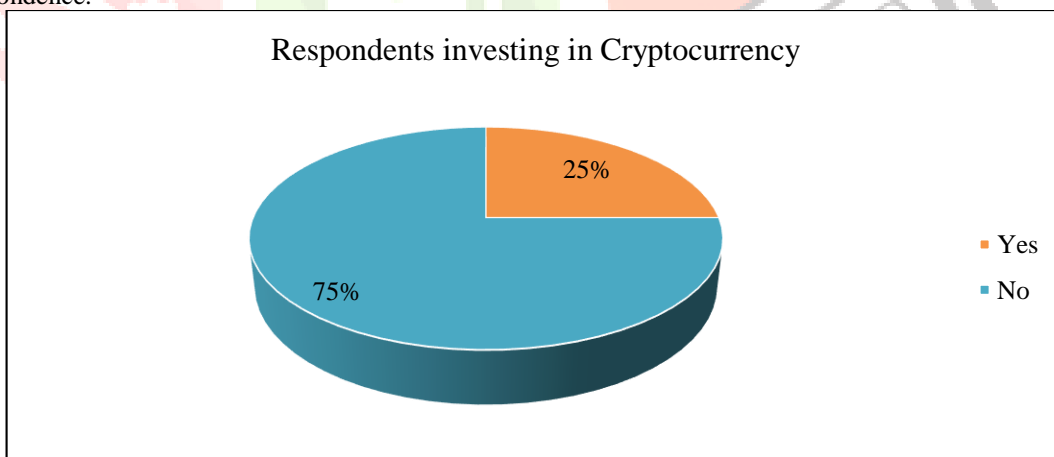


FIGURE 5

Interpretation: For this survey majority of the investors are not investing in cryptocurrency recently which is around 75% of the respondent.

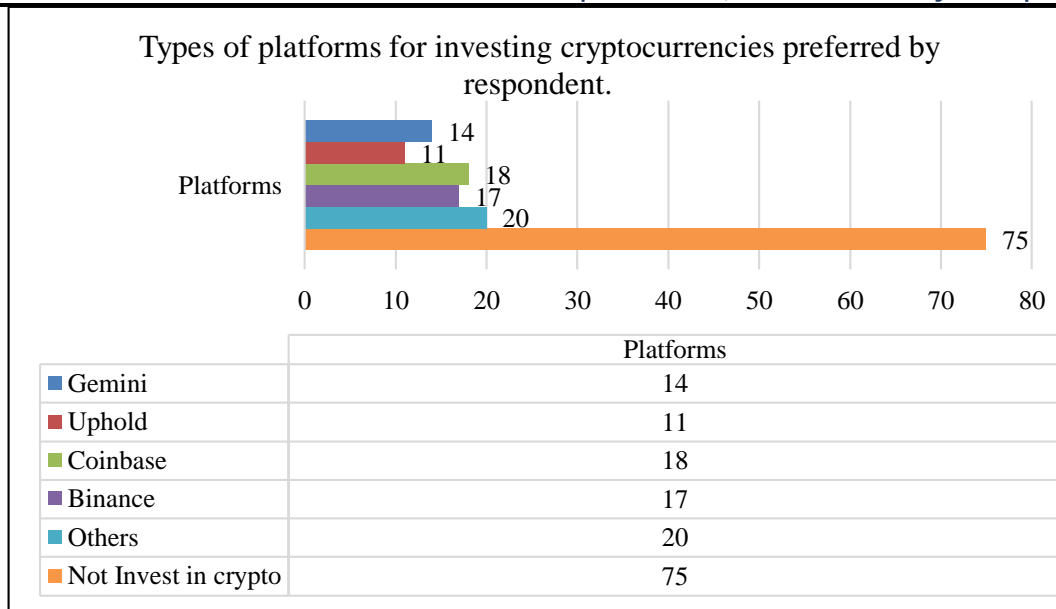


FIGURE 6

Interpretation: When the respondents were asked about the platform, they prefer to invest crypto currency, the 25% respondent who invest in crypto currency where majority of respondent which is 18% use coinbase for investing in crypto currency. The least preferable platform for investing in crypto currency is uphold where only 11% of respondent invest in crypto currency.

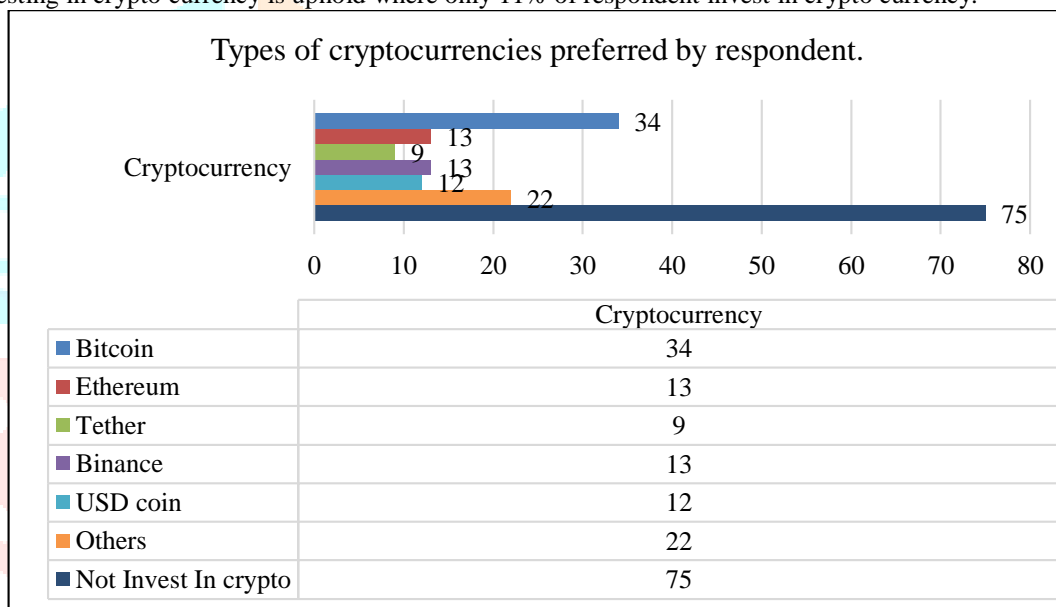


FIGURE 7

Interpretation: When the respondents were asked about the type of crypto currency they would prefer to invest, the 25% respondent who invest in crypto currency where the majority which is 34% of respondent prefer bitcoin. The least preferable crypto currency which is 9% investors is Tether.

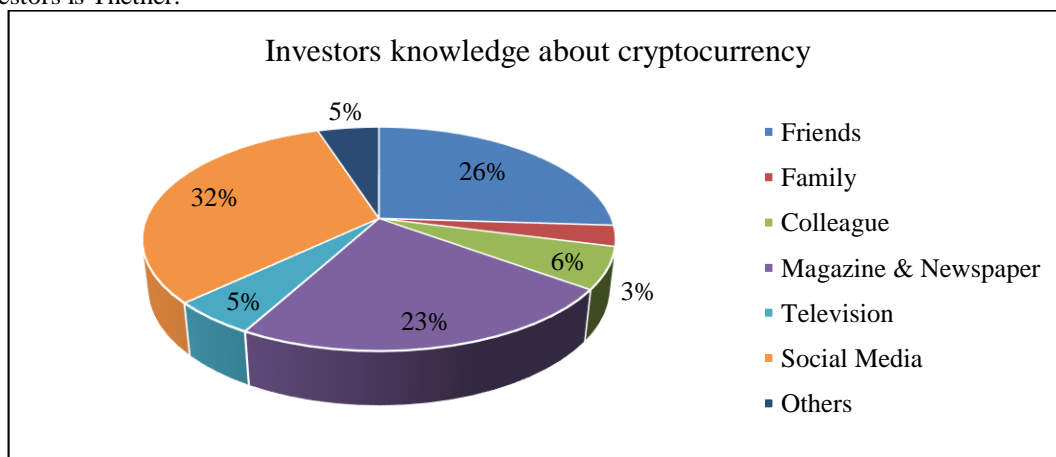


FIGURE 8

Interpretation: For the survey the respondent was asked about the how they came to know about the crypto currency than majority 32% of population acquired the knowledge about crypto currency from the social media which is one of the most emerging platforms in recent time.

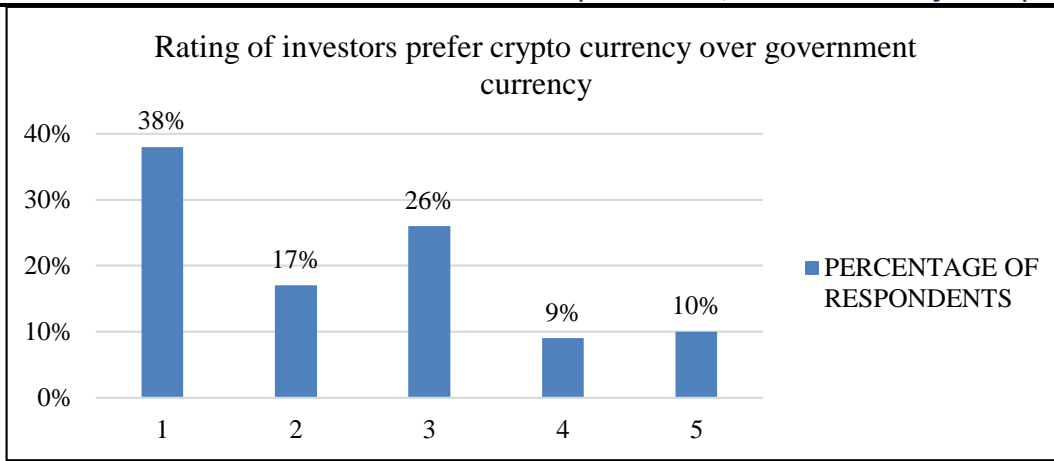


FIGURE 9

Interpretation: from the above survey the 100% respondent the majority 38% of respondent would not prefer crypto currency over the government currency whereas only 10% of the respondent would prefer crypto currency over the government currency.

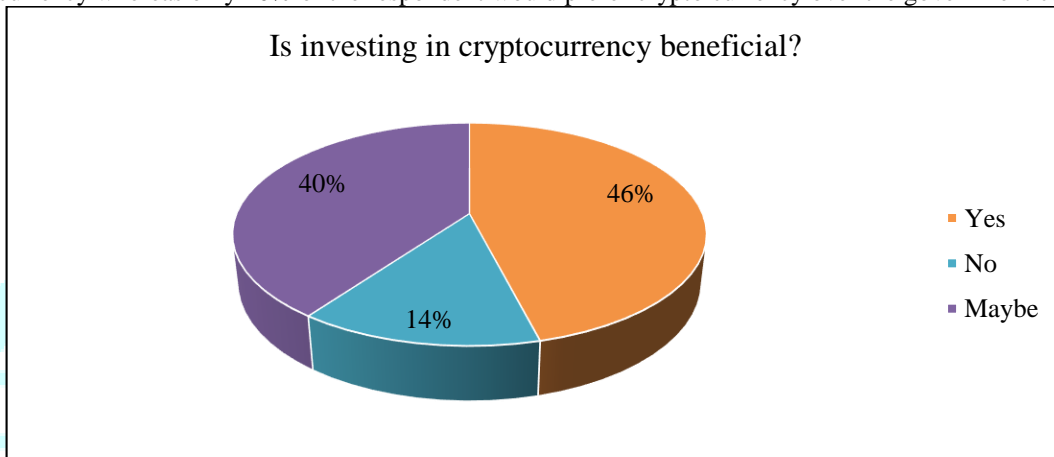


FIGURE 10

Interpretation: From the above survey the majority 46% of respondent believe that investing in crypto currency is beneficial.

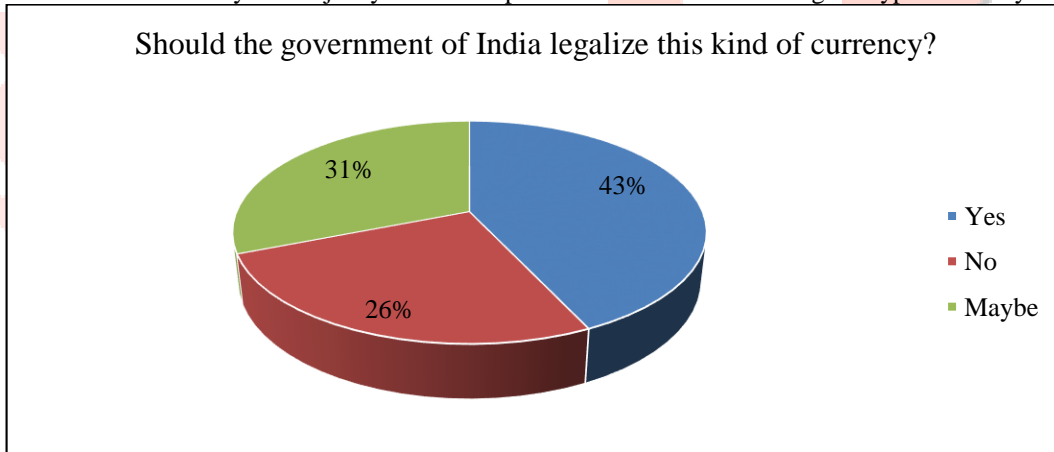


FIGURE 11

Interpretation: From the above survey about the legalization of crypto currency the majority 43% of respondent agreed to the statement that the crypto currency should get legalized in India.

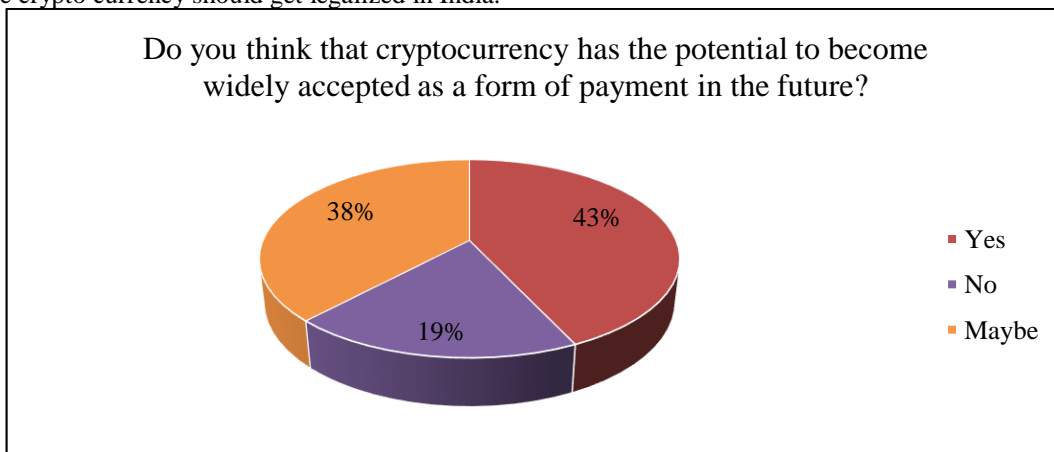


FIGURE 12

Interpretation: From the above survey according to the 43% of the respondent the crypto currency has the potential to become the widely accepted form of payment in future.

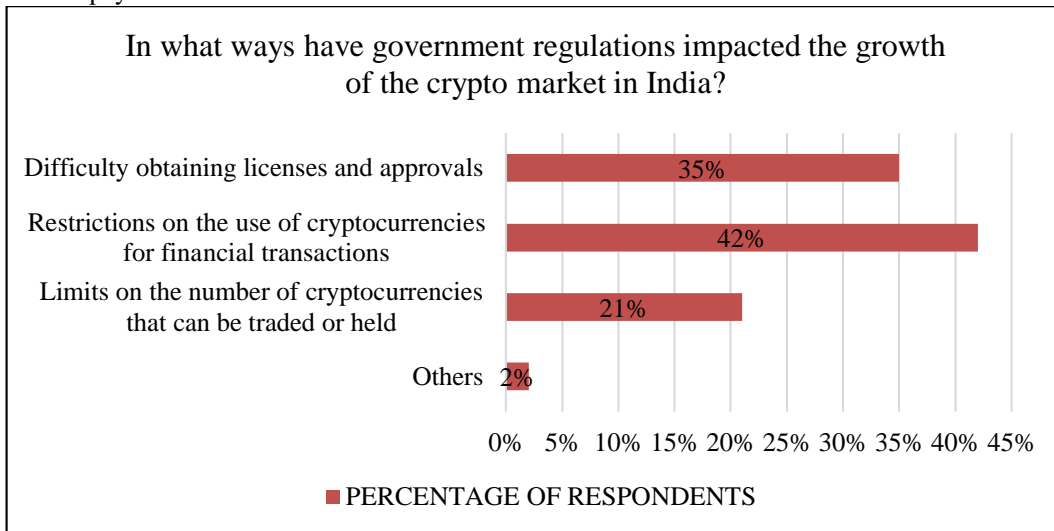


FIGURE 13

Interpretation: From the survey conducted the majority 42% of the respondent agreed to the statement that restrictions on the use of cryptocurrencies for financial transactions have affected the growth of crypto currency in India.

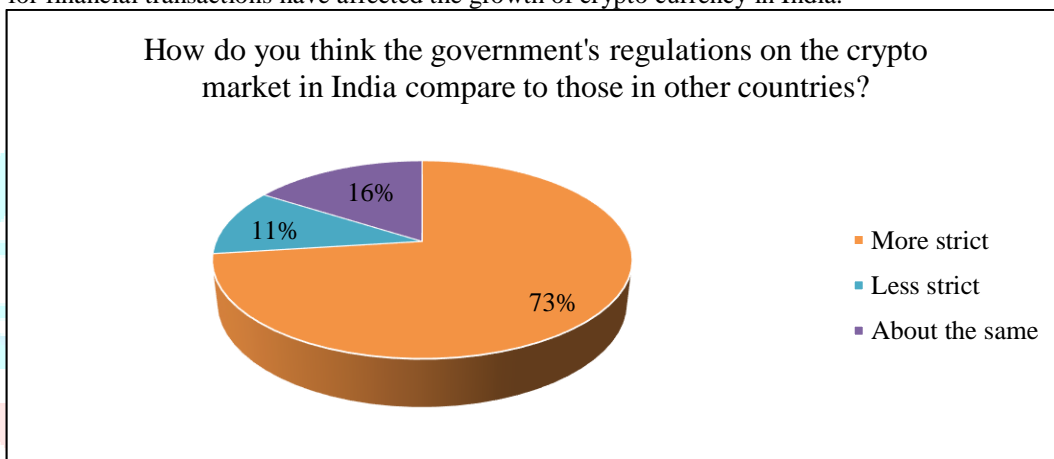


FIGURE 14

Interpretation: From the survey the 73% of the respondent thought that government regulations on the crypto market in India compare to those in other countries is very strict.

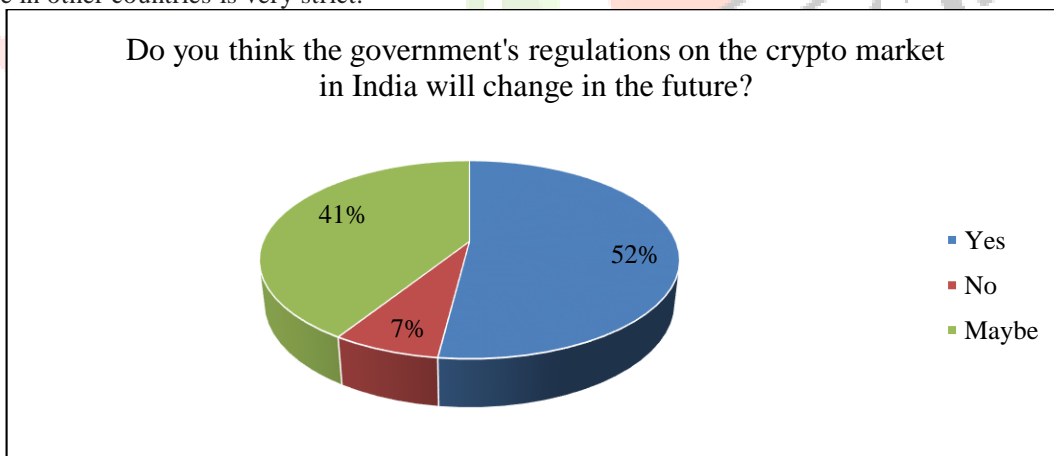


FIGURE 15

Interpretation: From the survey the 52% of the respondent agreed that the government regulations on the crypto market in India will change the future.

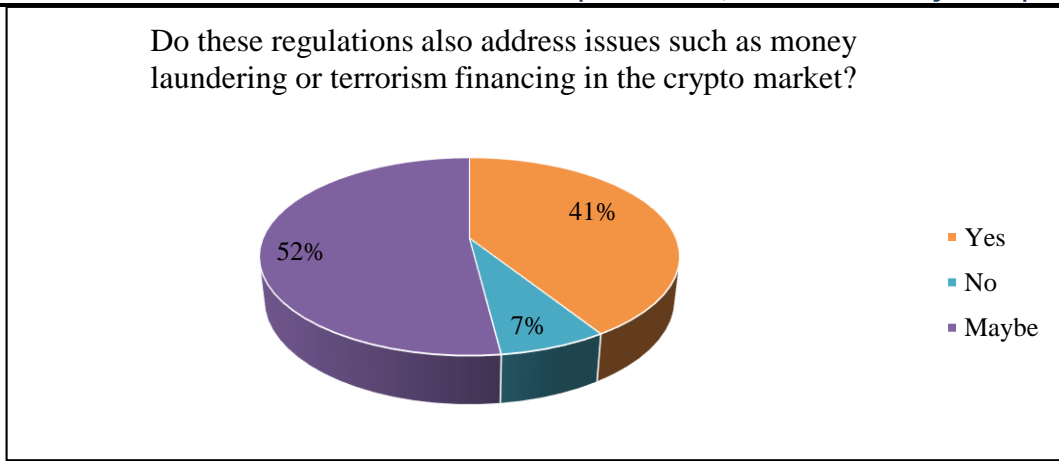


FIGURE 16

Interpretation: From the above survey the majorly 52% of the respondent thought that there might be the chances that it can lead to the issues like money laundering or terrorism.

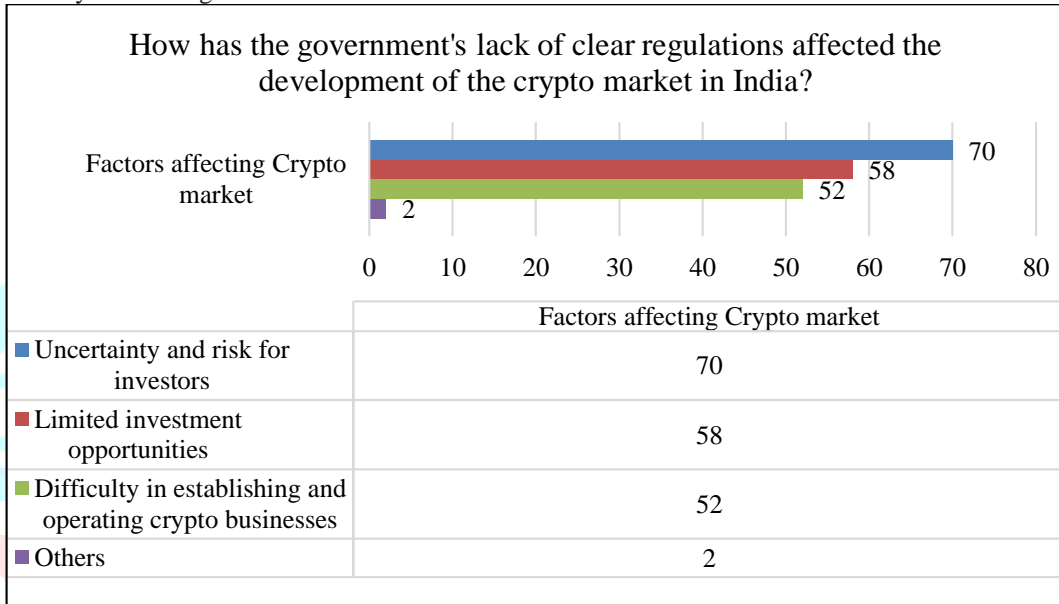


FIGURE 17

Interpretation: From the survey the views on the government lack of clear regulations have affected the development of crypto market in India where 70% of the respondent believe that it is uncertain and risk for the investors, 58% of the respondent believe that there are limited investment opportunities, 52% of respondent believe that there is difficulty in establishing and operating crypto business. And remaining 2% has some other reasons than stated.

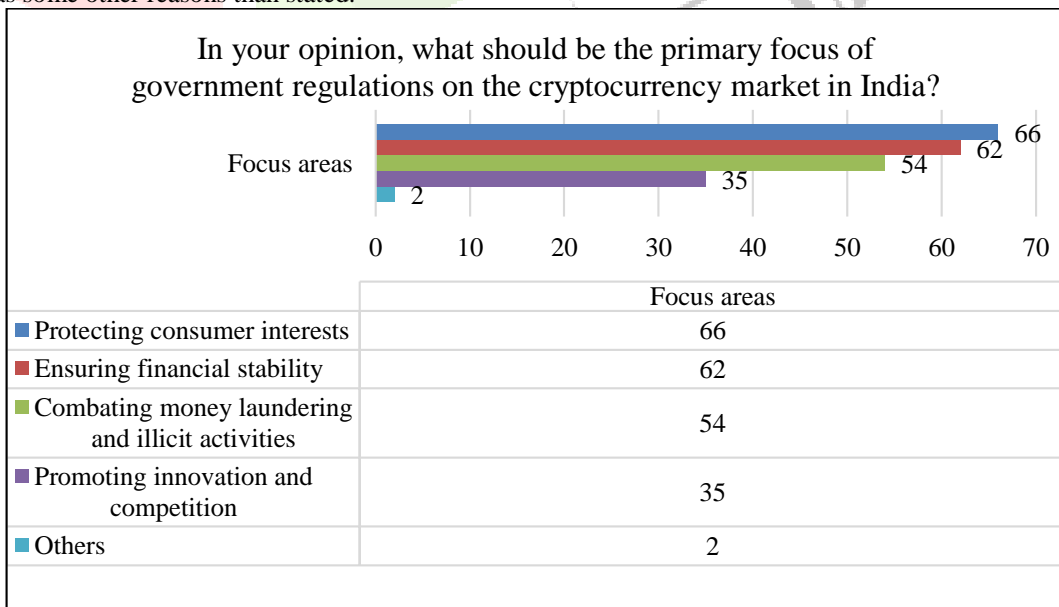


FIGURE 18

Interpretation: From the survey the respondent were asked about their opinion on the primary focus of government regulations on the cryptocurrency market in India. The 66% of respondent thought that it is due to protecting consumer interest, 62% of respondent thought that it is due to ensuring financial stability, 54% respondent thought that it is due to combating money laundering and illicit activities, 35% respondent thought that it is due to promoting innovation and competition in India.

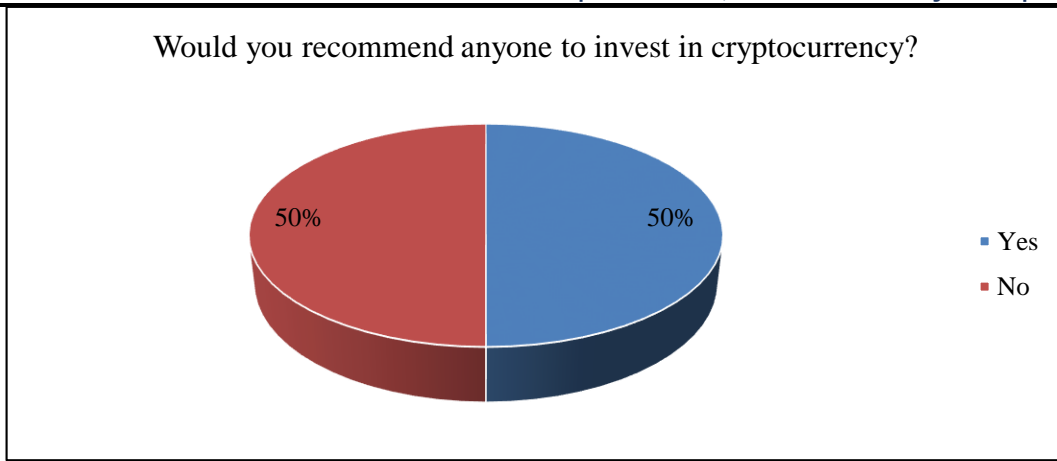


FIGURE 19

Interpretation: From the survey the respondent suggesting the others to invest in crypto currency remained neutral as there are many reasons due to which the conclusion became neutral. There are many benefits as well as drawbacks of investing in crypto currency.

5. FINDINGS

- From the above survey conducted the growth of crypto market is growing steadily. In this survey the majority percentage of respondent were from age group 18 to 25 years and majority were males.
- There were majority of the investors who were investing in the stock market but when it came to the crypto market the percentage of people investing in crypto market declined gradually. There were around 9% of investors who were investing from more than 10 years in stock market.
- According to research people does not prefer to invest in crypto market. The social media played the major role in making people aware about the crypto market.
- Crypto currency is one form of an independent currency but after being an independent currency the people will prefer government currency over this independent currency.
- Although it is an independent currency no government regulation can affect it but apart from this it has its own drawbacks which an investor always considers while investing which are security, safety, and risk.
- Many investors believe that investing in crypto currency is beneficial in terms of earning great profit a generating return in short span of time.
- 43% of respondent agreed that the government of India should legalize trading in crypto market so the practices like mal practise, black money get reduced and the tax can be implemented on the earnings on crypto currency.
- Around 81% of respondent thinks that cryptocurrency has a potential to get widely accepted by the people for their major payments.
- Study describe that Government of India has restricted in use of crypto currency in financial transactions and also the limit is been set so that there are limited number of transactions.
- Investors think that the government regulations on crypto market is stricter in India as compared to other countries but these regulations are fair and necessary for the functioning of crypto currency.
- There are chances that the government regulations on crypto currency will change in future and there will be positive effect on the crypto market. But the issues like money laundering and terrorism will gradually increase.
- Due to the government regulations many investors faced the uncertainty and risk, lack of investment opportunity also difficulty in operating crypto business.
- According to survey the government primary focus should be on the protecting the consumer interest and ensuring the financial stability of the consumers.

6. CONCLUSION

- Yes, it is a fact that Government Regulations hampered the Growth of Crypto Market in India. This research has given clear view that how government regulation affects crypto market in India.
- Investors believes that government regulations such restriction on the use of cryptocurrency for financial transaction and difficulty in obtaining licenses and approvals affect this market directly.
- More strictness towards crypto market in India is also describe government control over this market.
- Crypto market in India has huge potential and public may eventually accept cryptocurrencies for most of their main payments.
- There is a chance that in the future, the laws governing cryptocurrencies could change, which would be beneficial for the cryptocurrency industry. But, problems like terrorism and money laundering will progressively worsen.
- The majority of traders have an optimistic outlook on the cryptocurrency market since they think it is profitable to invest in cryptocurrencies and that India's government may eventually legalise this kind of money.

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