



# “The Impact Of Government Regulations On The Crypto Market In India: A Comprehensive Analysis”

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## **ABSTRACT**

Examining how government regulations affect the expansion of the cryptocurrency market in India. Indians are becoming more and more interested in cryptocurrency since it has become a booming financial option. This essay explores how national rules have impeded the development of the cryptocurrency industry in the nation. The Indian government has resisted regulating cryptocurrency trading despite its recent notable development and appeal to investors, citing issues with security, terrorism, and possible effects on the country's currency. The study also intends to evaluate traders' reactions to the cryptocurrency market, forecast the future course of cryptocurrency in India, and analyse government legislation pertaining to it. Investor feedback was gathered countrywide through the use of purposive sampling techniques combined with a non-probability sample strategy.

The results of the poll show that although a large number of investors are aware of the cryptocurrency market, they are reluctant to make investments because of regulatory concerns. Investors generally believe, meanwhile, that the Indian government's decision to legalize cryptocurrency trading will spur tremendous expansion in the industry. Regarding the future of cryptocurrency in India, they are still upbeat and predict significant demand in the near future—that is, if risk, security, and terrorist issues are sufficiently addressed.

Keywords: Crypto currency, Government Regulations, India, Market Growth, Investor Sentiment, Future Outlook.

## **I. INTRODUCTION**

The era of information and communication technology has brought with it a plethora of opportunities in a number of fields, most notably banking and economics. The explosion of internet users has brought new life to the idea of the virtual world and given rise to new business models. Cryptocurrency is one of these inventions that stands out as a noteworthy digital finance option. Unlike traditional currencies, cryptocurrency, or CC, refers to any form of exchange utilized for financial transactions. These digital assets are valuable and are primarily found in electronic or virtual forms. They are useful in a variety of networks and applications, including peer-to-peer networks, virtual worlds, and online social platforms. Cryptocurrencies control supply record all transactions on a decentralized network, and assure transaction security through the use of blockchain technology and cryptography. Bitcoin is a ground-breaking cryptocurrency that was first presented in 2009 under the pseudonym Satoshi

Nakamoto. It has attracted a lot of attention from the Indian and international financial communities. Others have gained traction in the market.

## **II. IMPACT OF CRYPTOCURRENCY**

Since its launch in 2009, Bitcoin has been a major catalyst for both overt and covert economic changes. In the last fourteen years, tokens and coins representing digital currencies have developed into reliable means of exchange and investment. The impact of cryptocurrencies on the economy is felt in many different industries both nationally and internationally.

As of January 2022, there are more than 2,000 different cryptocurrency products available, and 36.5 million Americans are thought to be digital currency holders. Even while cryptocurrencies haven't yet had the same profound effect on the economy as traditional stock markets, their rise portends a revolution.

The economic ramifications of cryptocurrencies, though still in their infancy, continue to be a topic of interest for investors and economists alike.

It is anticipated that this novel financial paradigm will continue to develop and have an impact on international markets and economic discourse, hence fostering continuous discussion and research.

## **III. REASONS FOR POPULARITY OF CRYPTOCURRENCY**

- Cryptocurrencies decentralize control over the money supply, circumventing the authority of central banks.
- Compared to conventional blockchain payment systems, cryptocurrencies offer enhanced security measures.
- The substantial growth trajectory of cryptocurrencies over time has underscored their appeal to investors, driving increased interest and participation in the market.

## **IV. OVERVIEW OF WORLD MARKET**

The estimated value of the worldwide cryptocurrency market in 2021 was \$1.69 billion, and over the forecast period, the industry is expected to grow at a Compound Annual Growth Rate (CAGR) of 7.2%. The primary driver of this increase is the rising demand for platforms that serve as middlemen between buyers and sellers in bitcoin transactions. Through transaction fees and commissions, these platforms make money.

The COVID-19 epidemic had a devastating effect on the world economy, causing small, medium, and even big firms to close. But with the uncertainties surrounding the pandemic, there has been a noticeable move toward cryptocurrencies like Ethereum and Bitcoin. Even conventional banks have made their initial investments in trading platforms as part of their entry into the cryptocurrency space. Blockchain-based solutions are being developed by certain institutions to enable business-to-business (B2B) bitcoin payments.

## **V. OVERVIEW OF INDIAN MARKET**

The influence on the Indian economy is becoming more apparent in the midst of the present decrease in bitcoin market values. The Indian government has made it clear that it opposes giving local cryptocurrencies legal status. There are two key factors that led to this choice. First off, the decentralized nature of bitcoin transactions makes tracking and monitoring extremely difficult and may even encourage illegal activities like hacking, criminal activity, and financing of terrorism. Second, the market for cryptocurrencies is seen by the government as a serious threat to established banking services.

In the Indian context, cryptocurrencies are subject to a number of restrictions, such as:

1. Security and Reliability Issues
2. High-risk factors and speculative nature
3. Taxation's Complexities
4. Lack of a Controlling Body
5. Price Volatility and Know Your Customer (KYC) Norms Difficulties

## **LITERATURE REVIEW**

**1. 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. Engineers in India get the opportunity to develop new technologies that can create new jobs through paying customers. There is comparative analysis between three countries namely USA, European Union, India where in legislation in USA there is one federal law and different laws in different states; in European countries there is different laws in different states where in India there is no legislation. The number of trades is increasing with growth in popularity in India.

**2. 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.

**3. Arunmozhi Manimuthu, G Rejikumar, Drishti Marwaha** conducted research on “**Potential of virtual currency present and future**” Bitcoin is a crypto-currency-based open-source technology that operates in the peer-to-peer grid as a private payment mechanism. Bitcoin works on sophisticated cryptography supported by a local community in a peer-to-peer network. This study reviews scholarly articles to understand how bitcoin is addressed in the literature. The study reports on the attributes of bitcoin through a systematic literature review. The paper is based on primary data from existing literature and secondary data from relevant case studies in the public domain. Unlike other currencies, Bitcoin seems to have faced many hurdles and with many applications in day-to-day life, created unique challenges for the end user community. When Bitcoin came into existence, it seemed to signal hope for a better future, but the growth of bitcoin is hard to predict. Bitcoin opens up an entirely new world for both practitioners and academicians. Further, this study presents an idea about the “potential” of bitcoin, highlights the prerequisites, needs, implications, and challenges faced by bitcoin in processing business transactions.

**4. Mukund Gupta, Dr. Teena Bagga** conducted research on “**Crypto a future aspect**” Consumers about cryptocurrencies in India and also various factors that influence the adoption of cryptocurrencies. The research shows that majority of the respondents are aware of cryptocurrencies but had no experience of using it. Majority are of the opinion that use of cryptocurrencies will increase in the future. They have also remarked that acceptance of cryptocurrencies by commercial banks and ecommerce websites will definitely boost confidence and trust in the minds of people and encourage its use in future.

**5. Jani, S. (2018)** Due to the rapid development of information and communication technologies, many activities in our daily life have been merged online and they become more flexible and more effective. A huge growth in number of online users has activated virtual word concepts and created a new business phenomenon which is cryptocurrency to facilitate the financial activities such as buying, selling and trading. Cryptocurrency represent valuable and intangible objects which are used electronically in different applications and networks such as online social networks, online social games, virtual worlds and peer to peer

networks. The use of virtual currency has become widespread in many different systems in recent years. This paper investigates the user's expectations of the future of cryptocurrency.

## **PROBLEM STATEMENT**

"Government Regulations Impede the Expansion of the Crypto Market in India - A Fallacy or Verity: An In-Depth Analysis" is the main question being investigated. Government control over national currencies is common in democratic systems; the Reserve Bank of India (RBI) is in charge of managing the Indian currency. The Prime Minister's 2016 announcement to demonetize the 500 and 1000 denomination currencies was a turning point in recent history that caused significant difficulties for the public when exchanging these notes. Interest in currencies with little or no government interference has increased as a result of this incident. In order to determine whether government rules have any effect at all on the cryptocurrency market and whether they are indeed a barrier or just a perception, this research project will examine such regulations.

## **OBJECTIVE OF THE STUDY**

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

## **RESEARCH METHODOLOGY**

This study uses a methodical and logical approach, utilizing scientific techniques to address broad questions. The research involves carrying out exacting protocols, gathering information from dealers, and applying rational and empirical methods to analysis. Obtaining pertinent data is crucial to carrying out this investigation in an efficient manner. For this reason, information will be obtained from traders and relevant websites in order to guarantee thorough study implementation.

## **RESEARCH DESIGN**

It is a 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.

## **SAMPLING**

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

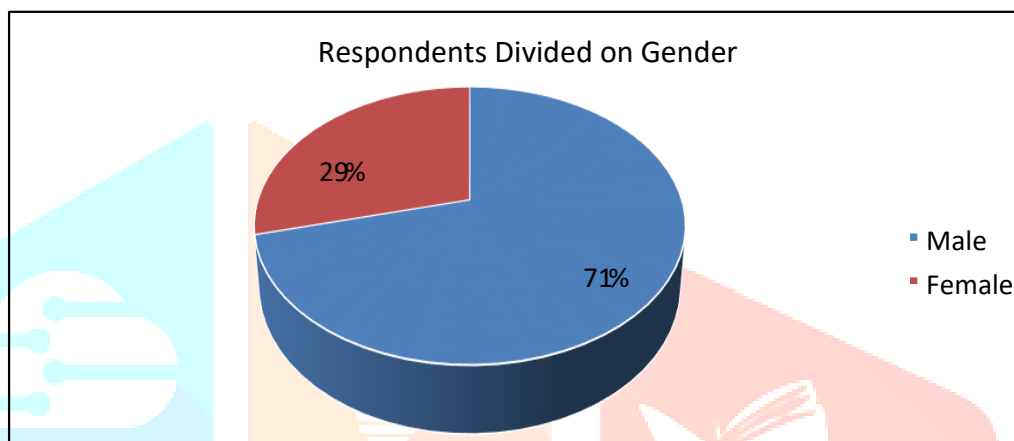
## DATA COLLECTION METHOD

Both internal and external data sources are used in this study. Researchers collected primary data by acquiring raw materials and internal data from documents and company records. On the other hand, external data included information gathered from sources outside the company.

**Primary Data-** In this, questionnaire will be used for collecting the data.

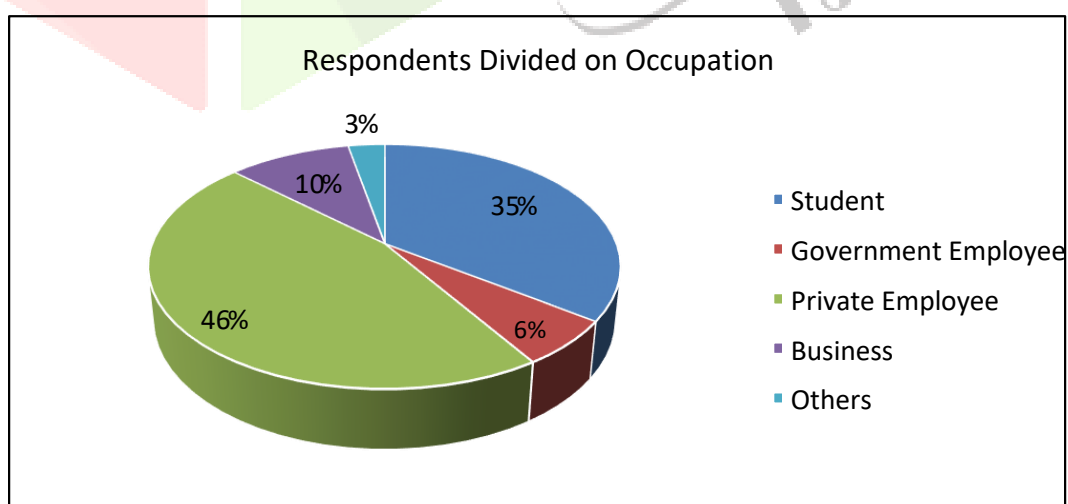
**Secondary Data-** It is gathered from standard books, internal sources, newspapers and magazines, also collecting data from external and internal sources.

## ANALYSIS & INTERPRETATION



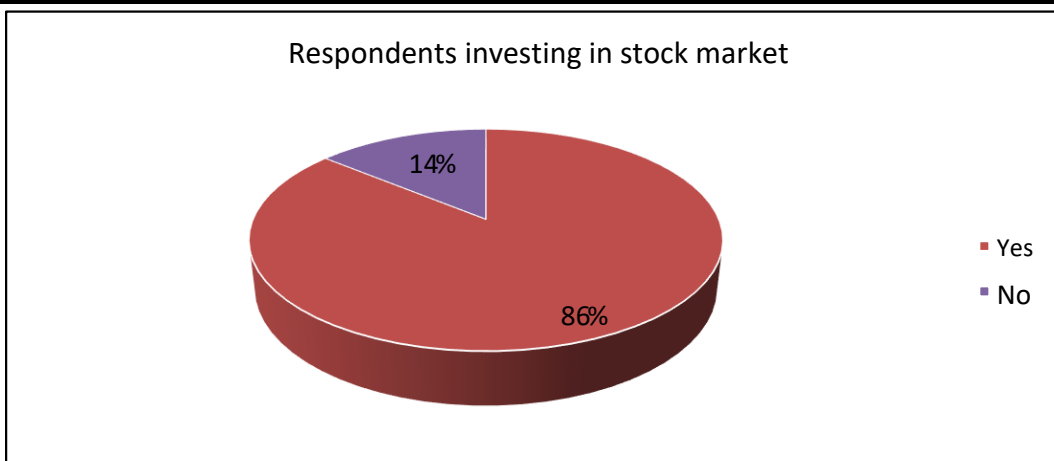
**Figure 1**

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



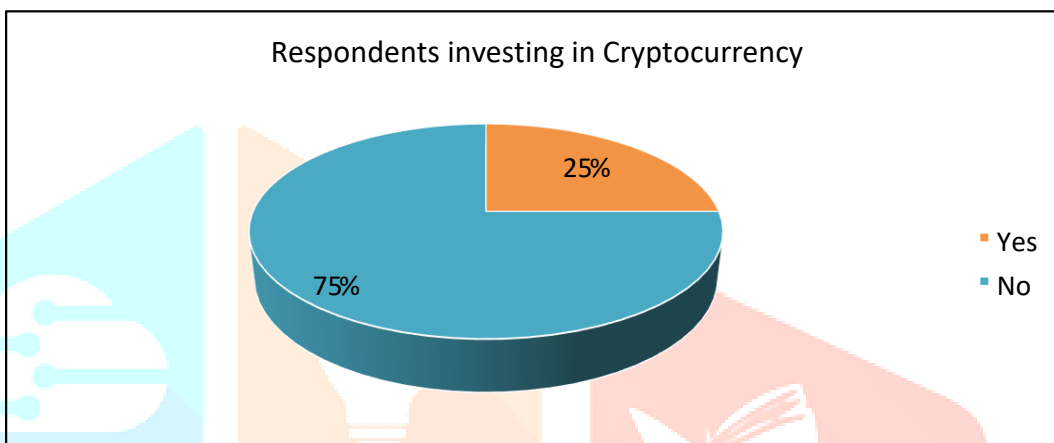
**Figure 2**

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



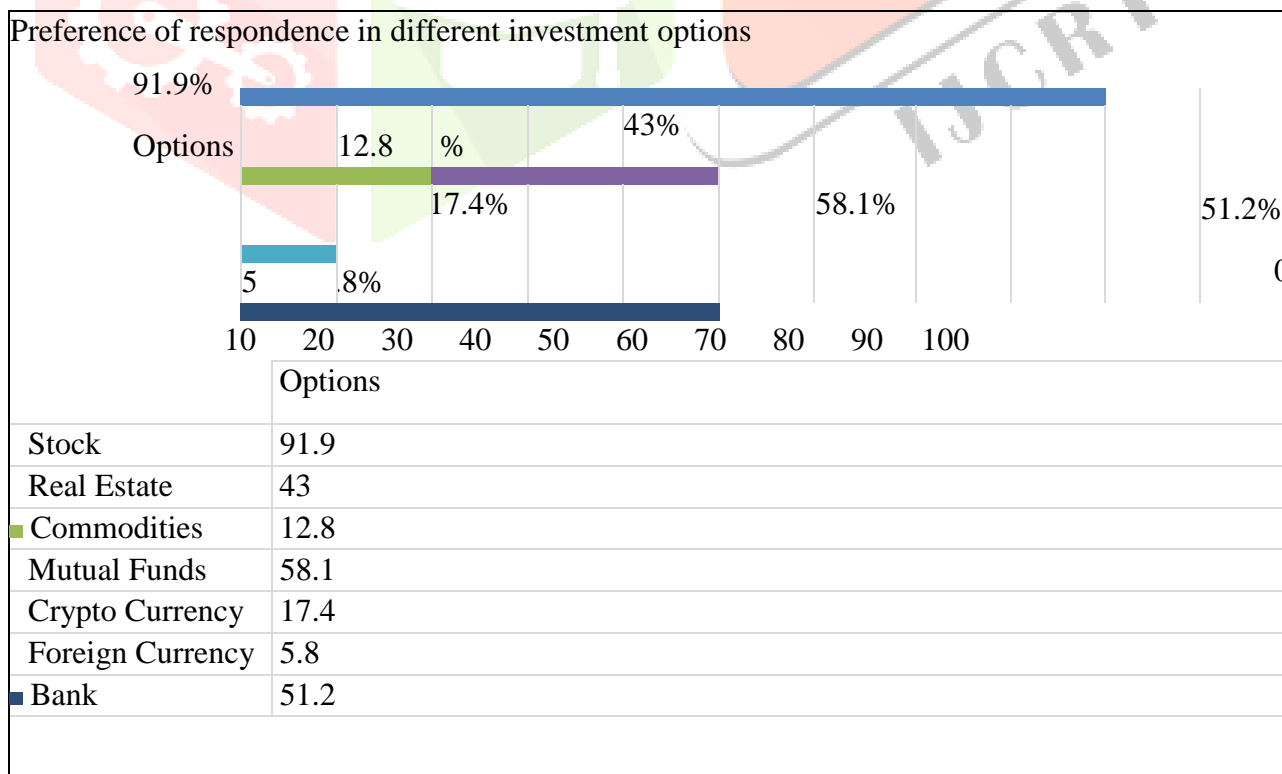
**Figure 3**

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



**Figure 4**

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



**Figure 5**

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

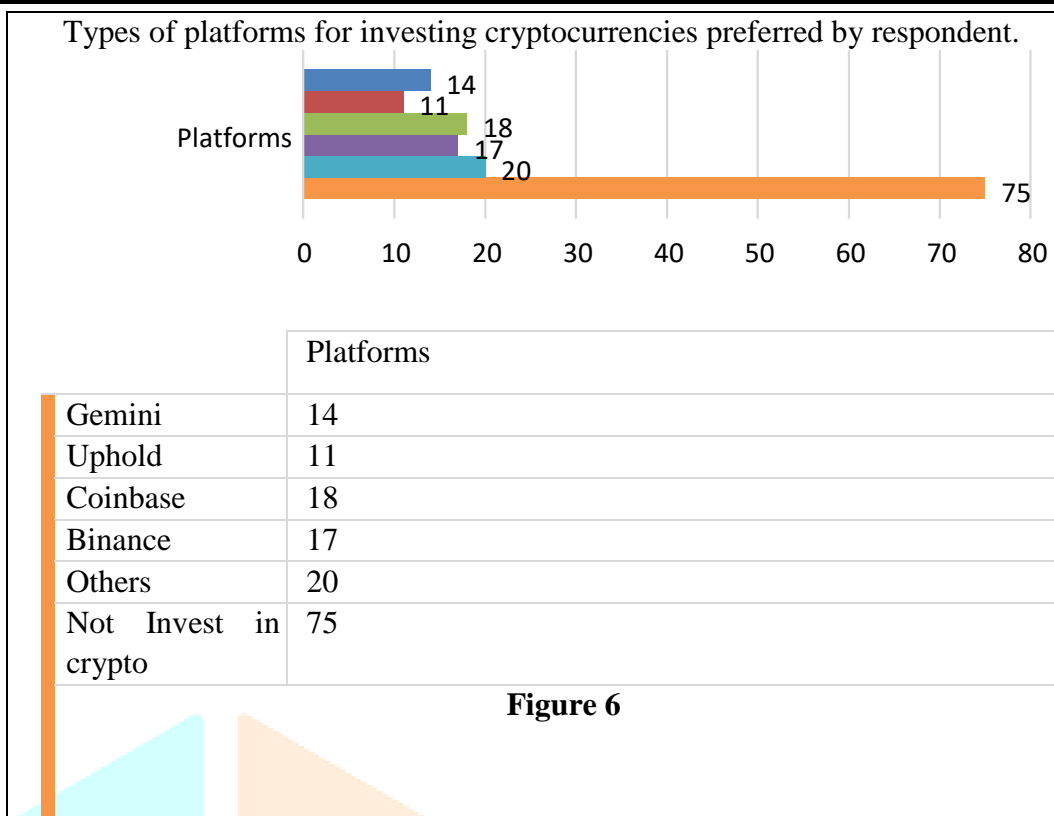


Figure 6

**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.

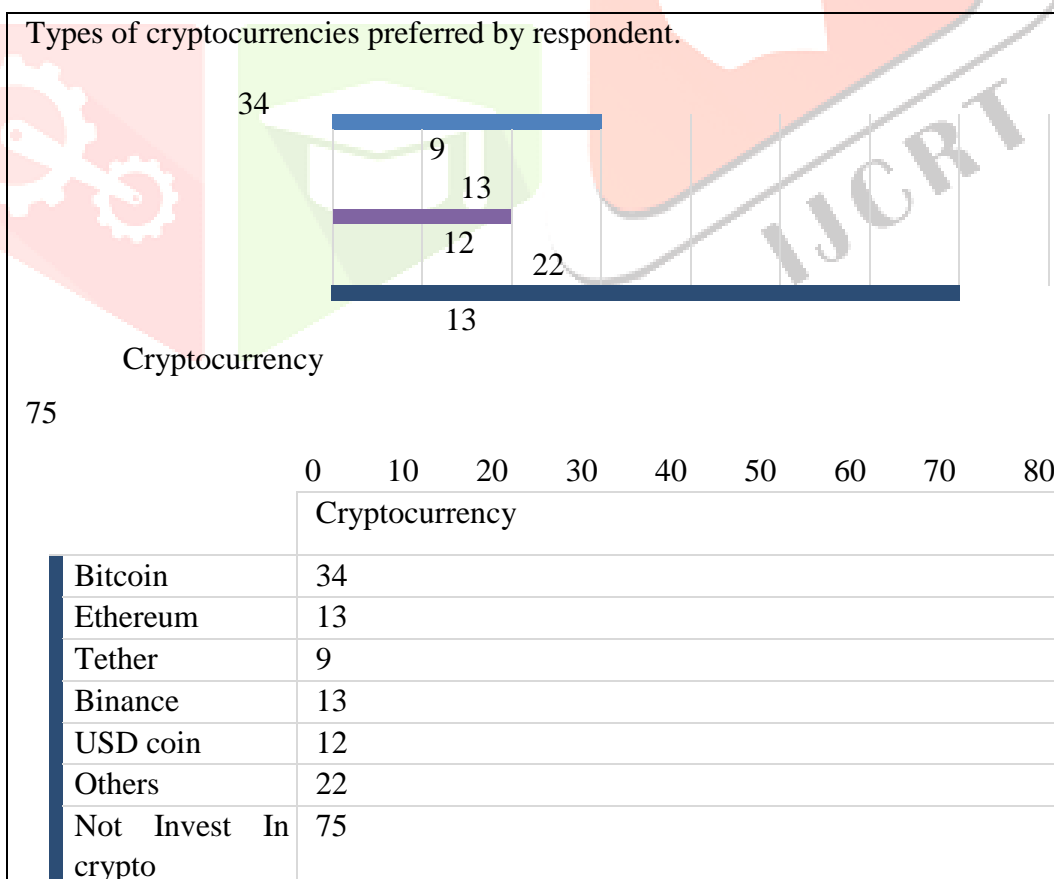


Figure 7

**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

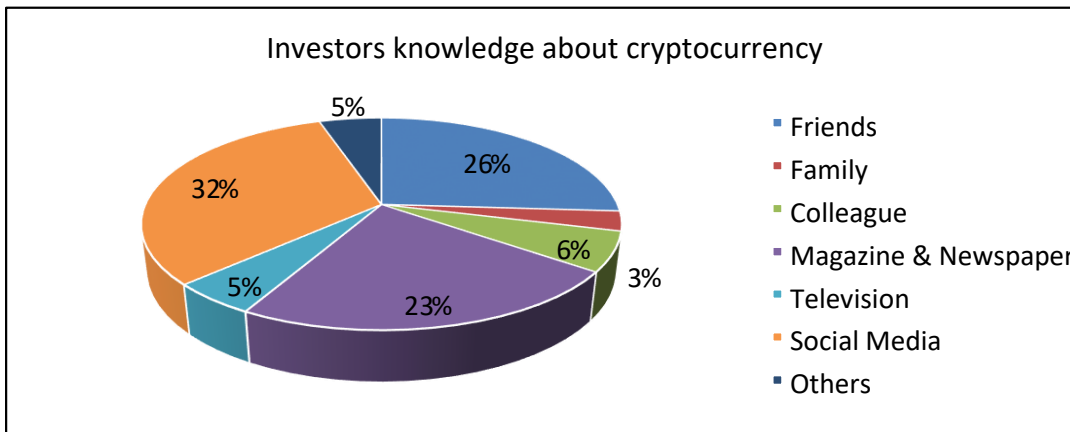


Figure 8

**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.

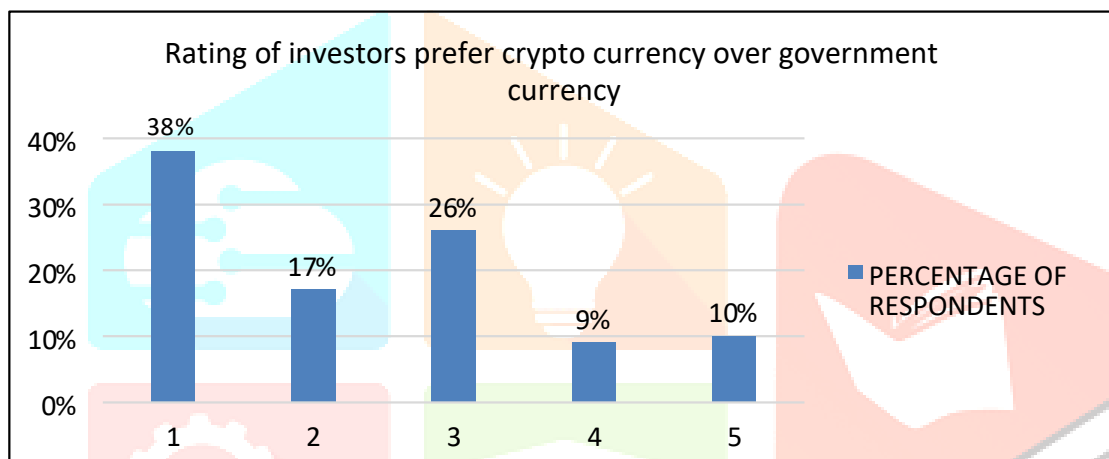


Figure 9

**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

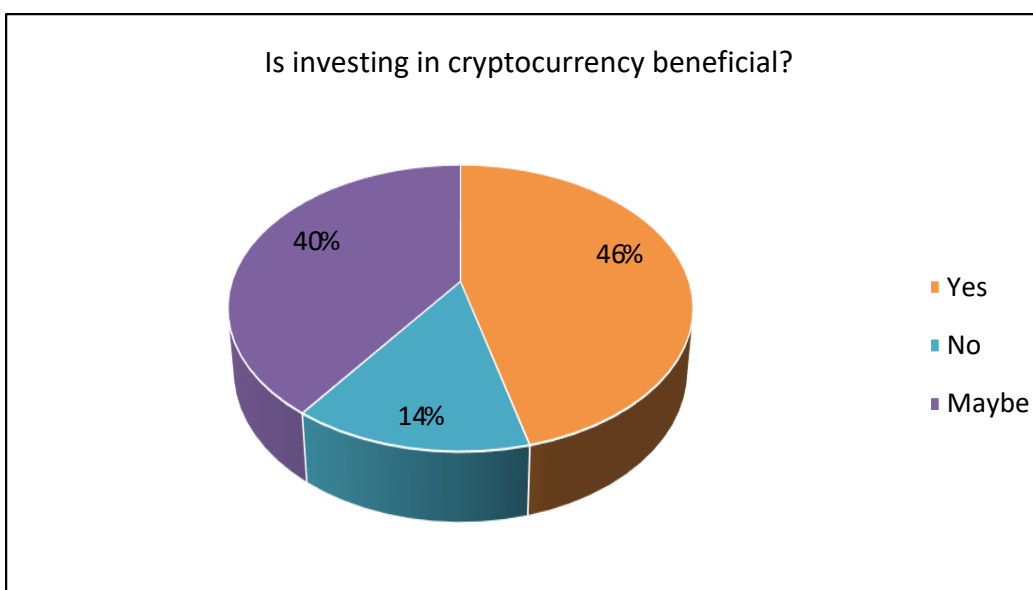
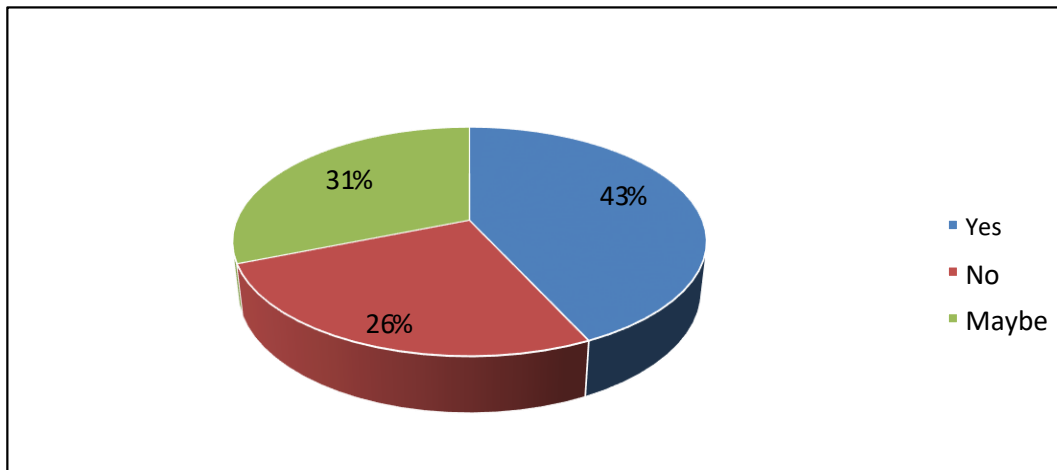


Figure 10

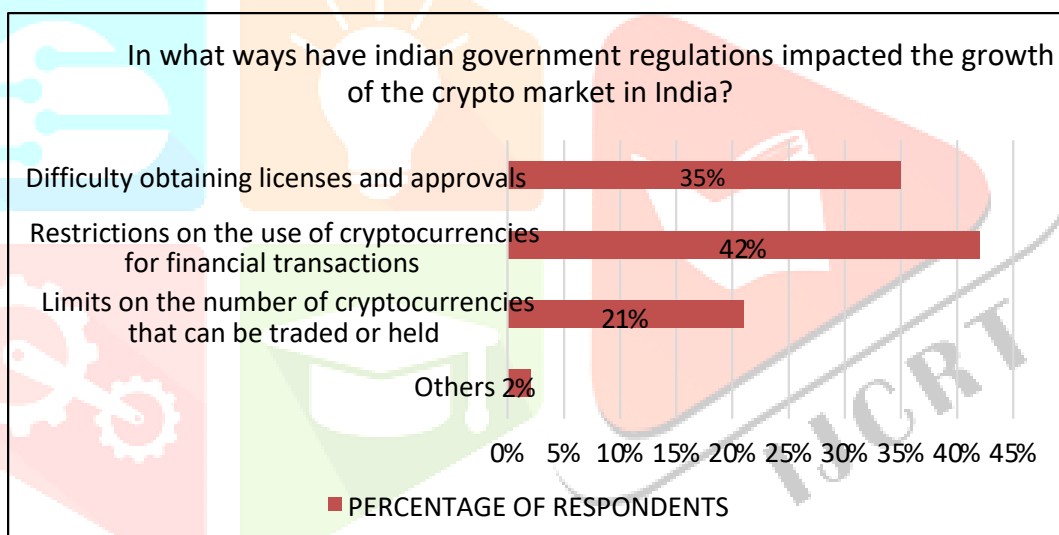


**Interpretation:** From the above survey the majority 46% of respondent believe that investing in crypto currency is beneficial.



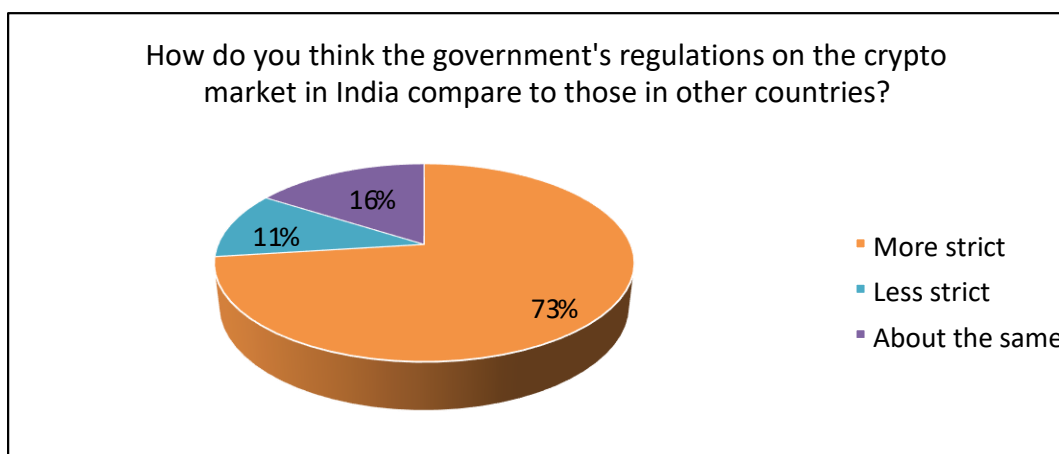
**Figure 11**  
Should the government of India legalize this kind of currency?

**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.



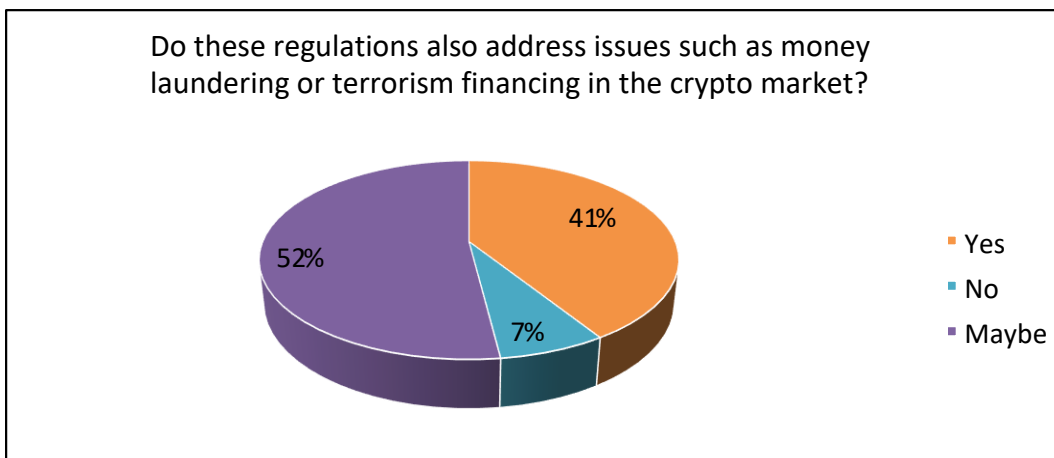
**Figure 12**

**Interpretation:** From the 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.



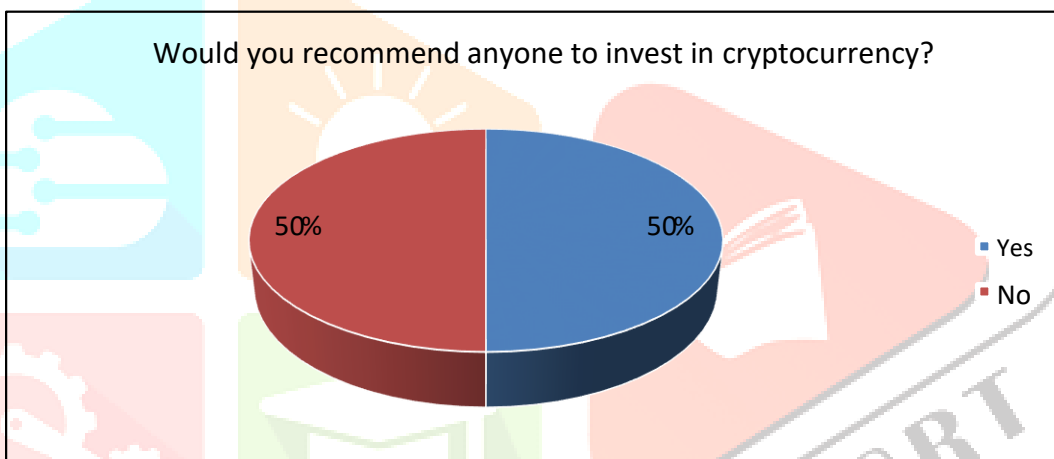
**Figure 13**

**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.



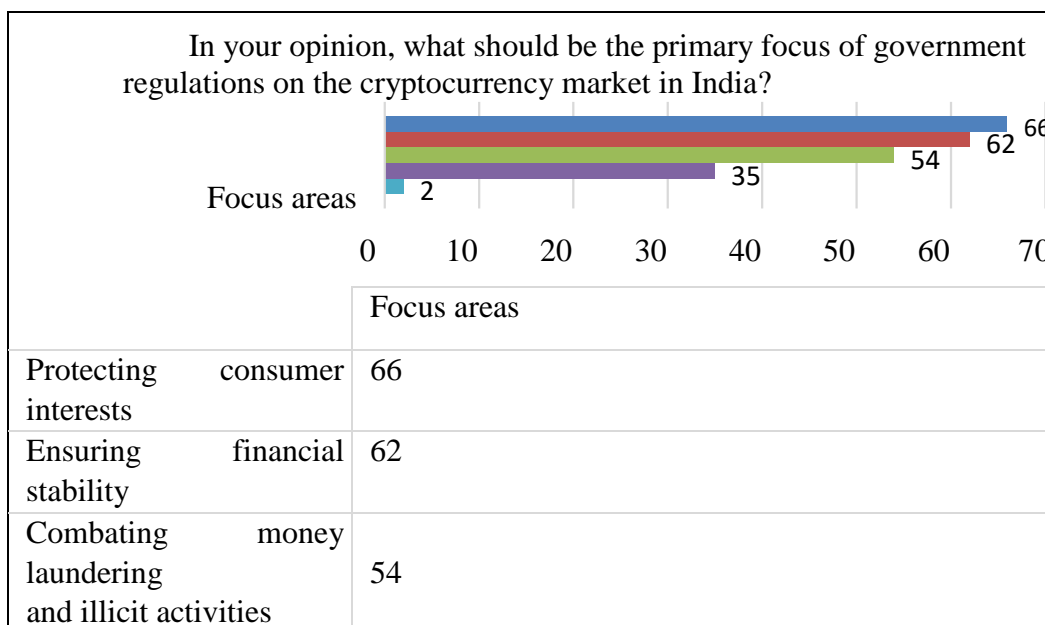
**Figure 14**

**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 15**

**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.



Promoting innovation and competition	35
Others	2

**Figure 15**

**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

## **FINDINGS**

1. The majority of respondents, who are primarily male and aged 18 to 25, report that the crypto market is increasing steadily.
2. A larger percentage of investors participate in the stock market, but there is less interest in the cryptocurrency sector. Merely 9% of investors have been making stock investments for more than ten years.
3. Despite the fact that traditional government-backed currencies are generally preferred as investments, social media is vital in spreading knowledge about the cryptocurrency market.
4. Investors that place a higher priority on security, safety, and risk considerations are sceptical about cryptocurrency even though it is autonomous.
5. Because cryptocurrency has the potential to yield large profits quickly, a lot of investors view it as a profitable investment option.
6. A significant percentage of respondents (43%) support legalizing cryptocurrency trade in India in order to reduce unethical behaviour, combat black money, and make tax implementation easier.
7. Most people (81%) think that cryptocurrency has a chance to become widely accepted for important transactions.
8. The Indian government now imposes transaction limitations and inhibits the usage of cryptocurrency in financial transactions.
9. Despite their perceived strictness in comparison to other nations, investors see Indian government controls on the cryptocurrency industry as essential to the market's operation.
10. Future adjustments to government laws pertaining to cryptocurrency are anticipated, which could have favourable effects on the market but also raise worries about an uptick in money laundering and terrorist financing.
11. Government laws have made it harder for cryptocurrency companies to operate and have increased risk, uncertainty, and investment opportunities.
12. The poll emphasizes how critical it is that the government place a high priority on protecting consumers and providing them with financial stability.

## CONCLUSION

1. As this research has shown, government rules have in fact impeded the expansion of the cryptocurrency sector in India. Investors cite difficulties acquiring licenses and permissions as well as limitations on the use of cryptocurrencies in financial transactions as direct barriers to industry expansion.
2. The restrictions' strengthening highlights how much power the Indian government has over the cryptocurrency business.
3. The Indian cryptocurrency economy has a lot of promise despite legislative obstacles, and there are signs that people may eventually start using cryptocurrencies as their main form of payment.
4. Future legislation pertaining to cryptocurrencies may change, which would be advantageous to the sector. Still, worries about the growing problems of money laundering and terrorism remain.
5. In spite of obstacles, most traders remain positive about the cryptocurrency market, pointing to its profitability and the possibility that India's government would legitimize this kind of money in the future.

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