



# Crypto currency in India

**Khyati Kunchala & Vishwa Shah**  
**Deepjyoti College of Commerce, Bharuch**

## **✚ Abstract:**

Crypto currency is a digital currency in which transactions are verified and records maintained by a decentralized system using cryptography, rather than by a centralized authority. There are many crypto currencies that exist in the world but the most famous is Bitcoin. Crypto currency has tremendous amount of uncertainties due to its digital form, unregulated market place despite of all these uncertainties the future of crypto currency seems to be predominant in India. Indian investors have invested in unregulated digital assets, especially Bitcoin and the amount of investment has increased since 2020. As the popularity of Crypto currency has increased but lack of regulation there are high chances of financial frauds and loss of money so there is a strong need of some regulations. On Jan 29, 2021, the Indian government announced that it will introduce a bill to create a sovereign digital currency and subsequently put a blanket on private crypto currencies. As crypto currency is the future in the investment market. Strong regulatory framework will be put in place to deal with crypto currency in India. There are most likely chances that Indian Government add crypto currency as an asset rather than a currency in India. It is difficult to regulate today because of unregulated market place, it does not have any legal or regulatory back up.

But in future after establishing regulatory framework crypto currency will be accepted with open arms in India as an Investment option.

## **✚ Objective :**

1. To study the concept of crypto currency, history and its form.
2. Advantages and disadvantages of crypto currency.
3. Indian Government's approach towards crypto currency
4. Legal backup and regulation on crypto currency in India.

## **✚ Research Methodology :**

Based on secondary data referring various sources as journals, articles and websites.

## **✚ Introduction:**

The world has become a global village due to ease of business, trade and various means of online trading, ecommerce and online payment modes. Crypto currency is a digital currency which does not have any central authority and uphold to maintain the transactions. Its name is

consisting word currency but in reality it is not considered as a currency in the traditional way but its taken as a commodity or securities. It mainly uses decentralized control whereas other authorized currencies uses central bank digital currency (CBDC). basically it's a digital money which as of now not approved by each and every Government as a legal currency due to its form , decentralized control and security reasons.

## **+ Meaning of Crypto currency:**

Crypto currency is a currency in the digital form which can be used in each and every monetary transaction where we use the money in exchange of any goods or services. It does not have any centralized control and regulatory authority that's the main reason that crypto currency are not as reliable as the regularized and authorized currencies of any country in the world.

## **+ How it works:**

Crypto currency is supported by block chain network which is a digital ledger, records of the transactions which are kept over multiple computers on the network. Each computer is called "node" and these nodes can store the data and verify it too. The transactions which are taking place are added to the "block" and after adding it that will form part of the chain .this way each transaction will get updated in the" block chain".it uses encryption to record and store the data securely and that provides safety to the data.

Bit coin is the most popular crypto currency.

## **+ Advantages and disadvantages of cryptocurrency:**

### **+ Advantages:**

**1. Protection from inflation:** Inflation will result in decline of value of many currencies in the world there is a limit of maximum quantity of 21 million of bitcoins. As the no. of bitcoins cannot be increased it will result in demand increase ,its value will increase which will keep the value of bitcoin upward side and that will protect it from inflation.

**2. Peer to peer cryptocurrency network:** There is no concept of master server in bitcoin. Blockchain aims to eliminate the intermediaries such as banks and other market places which will result in no intermediary or processing fees.

**3. Quick process:**

Generally crypto currency transactions are conducted between directly between two parties so there will not be any further process to follow. Currency will directly be transferred in exchange of money from seller to the buyer's account in digital form.

**4. Cost effective mode of transaction:**

By using crypto currency, currency exchange will be too easy for cross border transactions. The international currency exchange require more procedures and paperwork that will require time, money and efforts which can be eliminated by using crypto currency.

**5. Easy transfer of funds:**

The transactions in crypto currency are performed within a fraction of seconds so it saves time and energy and also provides ease of doing work.

**6. Secure and private network:**

Crypto currency transactions are prone to high risk of hacking so blockchain ledger is made for security purpose. Blockchain ledger uses different mathematical puzzles and codes which are tough to decode and hack those results in high security.

## **7. Easy currency exchanges:**

There are many currencies which can be used in exchange of crypto currency. This may lead to ease of international currency exchange and less processing time as well as processing fees.

## **✚ Disadvantages:**

### **1. No centralize regulation:**

There is no centralized body which can regulate the crypto currencies in India. There are doubt in the mind of investors about the reliability and trustworthiness as lack of legal back is main constraint in crypto currency.

### **2. Illegal transaction:**

Since privacy and security are high in crypto transactions it's very hard for the government to track the transactions. It may lead to fund illegal activities easily as compared to approved methods of payment of money.

### **3. Risk of Data loss:**

There is high level of strong hacking defence and inaccessible authentications system used in the crypto transactions but if private key of the user is lost for any reason, then there is no other way to get access to it that may result of loss of coins and crypto currencies inside that account.

### **4. No refund or cancellation:**

The transaction once taken place is the final entry that will accrue. There is no refund for wrong account transfer or cancellation of previous transaction. This system does not allow undo of the financial transaction that may lead to huge financial loss in case of mistake.

### **5. Power is with few people:**

The value of crypto currency can be manipulated by the developer and creators of crypto currency. The extreme rise in the price of Bitcoin is the example of it.

## **✚ History and current status:**

There are no. of uncertainties around the future of Crypto currency in India. Transaction in crypto currency especially in Bitcoin has been in increasing trend since 2010.

### **✚ 2008 : starting of crypto currency**

In 2008 crypto currency was started with a paper publication title "Bitcoin: A peer to peer electronic cash system" bt pseudonymous developer by the name of Satoshi Nakamoto.

### **✚ 2010: First sale using crypto currency**

The first sale of an item in exchange of Bitcoin was two pizzas in exchange of 10,000 Bitcoin. After this there is no looking back and other crypto currency called Litecoin, Name coin and Swift coin began to emerge in crypto currency market because of digital asset started gaining transaction.

### **2013 : RBI's first circular for crypto currency.**

RBI has notified the increased amount of transaction in crypto currency. Considering the risk of uncertainties and fraud as it's not yet accepted as a legal currency. RBI has issued a circular warning users of a potential security related risks pertaining to the use of virtual currencies.

### **2016-18 : Ban on crypto currencies in India.**

The demonetization resulted into increase in the digital payment for more transparency. It also resulted into increase the no. of transactions in crypto currency it made tech savvy investor/customer to buy virtual asset.

Indian banks has allowed crypto currency transactions that in the end made RBI to release e a circular in 2017 conveying its apprehensions with virtual coins.

There was warning that crypto currencies are not a legally allowed in India, was issued by RBI and Government of India.

In March 2018 a draft scheme for banning virtual currencies was submitted by the CBDT to finance ministry then after one month of that RBI issued a circular for restraining banks, NBFCs and payment system providers for dealing into crypto currency and providing platform or other services for transactions in crypto currency.

This resulted into downfall in the no. of crypto currency transactions by 99 %.

### **Nov, 2018: India wants to adopt crypto currency.**

Almost after 10 years from its launch in Nov,2018 from the date when Nakamotor's paper , Nischal Shetty founder of WazirX, stated a campaign called #Indiawantscrypto for the demand of Regulation of crypto currency in India.

In a very short span of time many businessmen, politicians gave support of crypto currency.

### **March,2020: Supreme court strikes down the crypto currency Banking Ban**

Due to the ban there was a massive downfall in transaction in crypto currency and that resulted into exchanges in the Supreme Court and that ban at the end stricken down, declaring the RBI circular unconstitutional.

This ruling of Supreme Court resulted into a boom in the crypto again.

### **2021: Announcement of crypto Bill.**

There are mixed views of users of crypto and regulatory bodies about crypto in India. The battle for crypto currency in India. The battle for crypto currency has not over yet.

On 29 th Jan, 2021 the Indian government announced that it will introduce a bill to create sovereign digital currency and will put blanket ban on private crypto currency.

In Nov, 2021, the standing committee on finance, met the block chain and crypto Asset council (BACC) and other crypto currency representatives and concluded that crypto currency should be regulated instead of banned.

### **Future of crypto Currency in India:**

According to the recent survey India is the fastest developing crypto currency market. Indian Government wants the crypto currency to be adopted in India with proper regulation on it, It is currently formulating policies to govern Web 3.0 which will eventually fate of cryptographic money, and its innovations.

### **Conclusion:**

Considering the fact that in India the international and national level business transactions are increasing at tremendous speed the facility like crypto currency is very helpful to ease these transaction. On the other hand in India there are mixed view in the people and government about the traceability and security of crypto currency there are still some ambiguity about the adaptation of crypto currency as a currency to be accepted

as a legal currency. There are no. of advantages and disadvantages in the use of crypto currency in India as discussed above. Government has realised both the sides of crypto currency and agreed to accept crypto currency as an asset rather than as a currency considering its disadvantages.

- **Suggestion:**

India is one of the most developing countries in the world. There are many international and national trade opportunities that need some amount of ease in the trade terms and automated as well as authentic system for currency exchange and payment. Theses all requirement leads India to adopt Crypto currency as an asset rather than as a currency. Crypto currency is surely the future for payment and trade but there are some deficiencies in the system too. The crypto currency needs to be regularized and then it will be a safe way of adapting it into India.

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