



Virtual Currency In India: Issues & Prospects

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Abstract:

Virtual currency is a digital illustration of cost most effective to be had in electronic form. Virtual currencies truly represent a subset of virtual currencies that encompass numerous types of digital currency, such as cryptocurrencies and private-sector tokens. Virtual currency seems to be an uncontrolled type of digital money which is typically issued and handled by its developers designer as well as some of the contributors to a specific virtual currency community. The study aimed to study the conceptual framework of virtual currencies, and their role in the Indian Economy, and to analyze the legal status, issues, challenges, and future prospects of cryptocurrency.

Keywords: *Non-fiat currency, virtual currency, cryptocurrency, digital currency*

Introduction:

Today, digitalization has tremendously revolutionized human existence and the entire business world. The currency has also gone through various revolutions, and one such revolution is Digital currency. In this, cryptocurrency plays a vital role in taking forward the digital currency revolution. So India also moving towards the digital economy known as digital India. With this aspect in mind, cryptocurrency may be the future of money. In this scenario, the study will examine the current generation's awareness of cryptocurrency. Many countries around the world are now focusing on digital currency and transactions. This led to significant innovation in a new currency known as cryptocurrency. One of the most advance, ambiguities, is regulation-free currency. Bitcoin is a cryptocurrency. Bitcoin is a kind of cryptocurrency. It is a decentralized digital currency with no central bank or mono administration which may be transferred from customer to customer using the peer-to-peer Bitcoin network with no intermediaries involved. Bitcoin was created in 2008 by an unknown individual or group of individuals using the alias Satoshi Nakamoto and its supply code¹ was released as open-source software in 2009. Bitcoin is created as a reward for participating in a process known as mining.

Objective of the study:

- To study the conceptual framework and analyze the role of virtual currency.
- To analyze the legal status, issues, challenges, and future prospects of cryptocurrency.
- To investigate the current state of cryptocurrency in India and its prospects for the future.

Role of virtual currency in India:

Virtual currency in India, in contrast to fiat currency virtual has no legal tender status; therefore dealing in virtual currency is prohibited due to the risk associated with its use. The Reserve Bank of India in April declared that each one RBI-regulated bodies 'are required to forestall having business relationships with organizations dealing with virtual currencies forthwith and unwind the prevailing courting in a length of 3 months. According to RBI, virtual currencies "can critically undermine the AML (anti-money laundering) and FATF (Financial Action Task Force) framework, adversely impact marketplace integrity and capital manage and if they grow beyond a critical size, can endanger financial stability as well."

The Reserve Bank of India warns clients who buy, sell, or trade virtual currencies about security risks, a lack of regulatory power, speculation and volatility, legal risk, and the use of currencies for illegal purposes. One of the circulars issued through the RBI discusses that virtual currencies are saved in digital or electronic media which might be referred to as electronic wallets. RBI set apart the circular issued through the Reserve Bank of India on April 6, 2018. The circular prohibited all RBI-regulated companies, including NBFCs, cooperative banks, fee device operator's nationalized banks, and various intermediaries, scheduled commercial banks, from dealing in or supplying services to facilitate any individual or organization dealing with or settling any transaction.

The legal status of virtual currency in India:

The legality of cryptocurrencies has been one of the vital points of subject in India. It has stored many buyers on an elements in which humans agree that making an investment in cryptocurrencies might put them in a problem or they might even lose their money. If we stored apart the Ponzi MLM-based projects in India or internationally and select the cryptocurrencies wisely, definitely there is no issue as such.

Fintech Valley Vizag, the flagship functionality of the Government of Andhra Pradesh, J A Chowdary who is IT guide to the CM is taking part in growing a firm foundation for the Indians to develop and undertake blockchain technology. Plans also are being constructed to open schools to teach blockchain to the younger generation. So when this stage of the master plan is being made and getting implemented, you could recognize the country is welcoming blockchain and the projects based on it. Definitely, cryptocurrencies as properly going to be regulated soon.

A declaration turned into let out that RBI won't take any responsibility for the traders going for the cryptocurrencies. As the Indian Government watches the domestic growth of cryptocurrency with a mixture of apprehension and intrigue, local startups are leading the manner in incorporating bitcoin and different cryptocurrencies into India's lofty virtual ambitions.

India, as a massive flow of cryptocurrency exchanges exists in an untapped, unregulated market with a potential value of over a thousand billion dollars. Because of the crypto marketplace's enormous reputation, its consumption within a year, and possible revenue loss, the Indian government's regulators, and authorities begin to take notice. As a result, the Reserve Bank of India issued an announcement in 2013 warning the general public not to deal in virtual currencies like Bitcoin. In November 2017, the Government of India organized a high-level Ministerial Committee to report on numerous problems linked to the usage of virtual currency, and the Committee's report was submitted in July 2019, suggesting a blanket ban on personal cryptocurrencies in India.

Issues & Challenges for virtual currency in India:

Issues related to virtual currencies:

- The Committee said that cryptocurrencies can't replace traditional currencies because of numerous problems related to them.
- These include; cryptocurrencies subjected to marketplace fluctuations. For example, the fee for Bitcoin cryptocurrency dropped from around USD 20,000 in December 2017 to USD 3,800. (November,18) In less than a year, cryptocurrencies have become decentralized, making them difficult to regulate. The cryptocurrency layout has several vulnerabilities, leaving customers vulnerable to phishing cyber-attacks and Ponzi schemes.
- Furthermore, Transactions are irreversible, which means that incorrect transactions cannot be reversed; cryptocurrencies demand substantial quantities of processing and storage capacity, which could have a negative effect on the country's energy resources; and cryptocurrencies offer additional confidentiality, making them more vulnerable to money laundering and terrorist investing activities.

Challenges related to virtual currencies: Initially while cryptocurrency began to circulate in the market not many people were aware of the technology behind it and just a few humans knew what cryptocurrency is. But when it comes it the legality of such currencies, first of all, the human idea is that because the origin of the user could not be traced, cryptocurrency became used for all styles of unlawful functions and a lots extra such activities.

Nowadays, many nations are pleased with the use of cryptocurrency as a medium of exchange there, a few are impartial however a few international locations are very restrictive to the consumer of cryptocurrency as a medium of change there. Talking approximately India, after a variety of dawdling about either banning or

legalizing cryptocurrencies, the Indian authorities have taken a few encouraging steps for the regulation of cryptocurrencies in the country.

- The following are some of the issues and consequences of cryptocurrency:

Security Risks: Hackers and malicious customers can make as much money as they want from digital currency if they damage the device and learn how to create digital currency. This will bring about the ability to create faux digital foreign money or steal digital foreign money by simply converting the debts balances. For example, promoting in-sport digital gadgets and digital foreign money is to in opposition World of Warcraft (WoW) sports policies. As a result, many customers use wow gold selling websites to buy digital gold in order to pay for digital goods. Many WoW gold-selling websites aren't dependable and they're liable to hacking plenty of customers are complaining approximately paying actual cash for not anything or for faux digital foreign money.

Concerns about cryptocurrency system starting to collapse: Because virtual currency is not based on demand and supply, its unlimited distribution in a variety of virtual communities would cause economic problems. It is possible that certain providers, such as Second Life, will struggle with unlimited Linden Dollars and increasing their virtual item pricing in order to acquire more real cash. On the hand, it will suffer from inflation and the monetary problem mainly disintegrate inside the digital foreign money system.

Effect on the actual monetary system: Because some virtual currency systems are linked to the real-world monetary system, they may have an impact on the demand and supply of real-world money. Allowing consumers to buy virtual and real products and services using virtual currency on some platforms, for example, may lower demand for actual money. Consumers will no longer rely on real money to buy what they desire, but will instead utilise virtual money. On the other hand, some platforms allow users to trade virtual cash for real currency, increasing demand for real-world currency. This fluctuation will have an impact on the real monetary system.

Money Laundering: Money laundering is one risk that is extremely likely to increase with the use of VC, particularly with systems that allow clients to exchange virtual currency for real money. In a comparable instance that occurred in Korea in 2008, the police apprehended a group of 14 persons for laundering \$38 million obtained from the promotion of virtual money. The organization transformed the quantity of \$38 million, that's generated with the aid of using gold framing from Korea to paper enterprise in China as bills for purchases.

Future prospects of virtual currency in India:

The current expanding and changing structure of virtual money allows us to forecast the future of virtual currency and from the large extent of buying and selling virtual currency. Many social games, social networks, and application developers have a tendency to monetize their systems by implementing virtual currency. Schell, an online game designer, discussed how making games used to be entertaining, but that it is no longer the case. Investment factors will become the principal center. He said, "Now we layout video games around a psychological moment where people are inclined to spend money". It is observed that we already come to a

greater cashless society where most of us are the usage of credit scores and online banking to finish financial transactions. This a sign that we will accept and integrate virtual money use sooner or later. As a result of this observation, more than 58% of those polled agreed that virtual currency in various shapes and forms will become the language of financial transactions in the future. Whereas 22.58% of members were dissatisfied with virtual currency as a means of future financial transactions, 19.35% were opposed. With this expansion of using virtual money, several problems want to be taken into account to govern such financial systems. The lack of stringent and clear norms and procedures increases the risks and challenges that the virtual currency business may confront. To govern and manage this, strict legislation and laws must be put in place of new technology for virtual money.

Finance Minister Nirmala Sitharaman has written several bulletins in the Union Budget 2022-23 extensive for the crypto asset company of India. The Indian government would levy a 30% tax on cryptocurrency earnings, and the digital rupee may be brought inside the fiscal year. After being worried and reluctant to undertake cryptocurrency, the Indian authorities have ultimately determined to divulge the heart's contents to the digital form of money. There is still uncertainty about the fate of cryptocurrency; nonetheless, those reports have provided a clear signal to crypto enthusiasts that bitcoin is one step closer to being a criminal state in the country. Cryptocurrencies had been on the move for the reason that 2009 however for the ultimate couple of years, an unparalleled increase has been visible in this asset class. Crypto belongings are very famous amongst more youthful traders who have a higher urge for food for hazard and are passionate about obtaining a good enough monetary training to gain the blessings of the ever-converting panorama of virtual finance According to a report in The Economic Times, approximately 20 million Indians are involved in bitcoin trading. According to the 2021 Global Crypto Adoption Index released by Chainalysis, a block chain analysis company, the industry had an 880% increase in crypto adoption. An index rating of 0.37 garnered India 2d vicinity with inside the index at the back of Vietnam. The Indian crypto marketplace noticed an increase of 641% in a yr. Clearly, the crypto marketplace global is displaying awesome ability and is rising rapidly. It appears to be a promising enterprise for India too.

Conclusion:

Bitcoin offers a completely new, effective, and appealing payment mechanism that can improve the profits of businesses and operators. It also offers an alternate payment mechanism, in addition to real money, that enables customers to effortlessly conduct financial transactions such as purchasing, selling, transferring, and replacing. Although cryptocurrency systems create various channels for digital financial transactions and provide a new type of currency with exclusive processes and procedures, they may be currently no longer governed and monitored as they deserved. The study examined cryptocurrency platforms and discovered numerous flaws and challenges that put such financial systems at danger. The lack of legislation is taken into consideration as the main concern in the cryptocurrency system, Customers on the other hand have not published the entire image of

using cryptocurrency. In fact, many forms of cryptocurrency do not deserve that whole lot of believe yet. Many concerns, challenges, and issues exist on many the preceding sections of this document fully define cryptocurrency platforms. Users must take extra precautions when using cryptocurrency until it is properly controlled and supervised. The cryptocurrency discipline creates a wealth of an opportunity to explore, and many studies need to be completed to offer clinical content. The correlation between the actual economic legal principles and the legislative notoriety of the application of cryptocurrency platforms wants to be studied in addition to various exclusive perspectives.

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