



CRYPTOCURRENCY AND THE INDIAN ECONOMY

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Abstract

A cryptocurrency is a form of currency that exists only digitally that does not have a central issuing or regulating authority. Cryptocurrency is an innovative concept of decentralized virtual currency. It has turned out to be a new avenue of investment instrument in India similar to gold. Even though the government hasn't formulated any regulatory body or legislation with regards to cryptocurrency trading and transaction in India, the government restricts the buy and sell of cryptocurrencies like bitcoin, lit coin, etc. Cryptocurrencies raise various limitations on their existence in Indian markets. This study focuses on understanding what cryptocurrency is all about and its impact on the Indian economy. The study also focuses on the present situation and future prospects of cryptocurrencies in India.

Keywords: Cryptocurrency, innovative, currency, impact, economy.

1. Introduction

In India, during ongoing years, the use of innovation, including blockchain, to fuel monetary exchanges has expanded fundamentally. Such improvement has not gone unrecognized by most controllers, for instance, the Reserve Bank Of India (RBI) (Indian Central Bank). While the current government has helped progress to foster an electronic or credit-only economy, digital money regardless of everything stays an exception. The RBI considered the usage of digital currency in open business sectors around 2013 and has since responded by exhorting clients, holders, and intermediaries of the use of virtual cash while keeping silent on the authenticity of its use, remembering for 2017. So likewise, various regulators, for instance, the requirement directorate and personal assessment office, have been fast in their exercises to shut down associations connected with cryptographic cash by driving strikes under the appearance that the use of computerized cash was encroaching upon outside exchange and against unlawful expense evasion rules.

Over in the new past, cryptographic money has been a topic of conversation among general society at large. In the realm of innovative progressions, digital currency is turning out to be more agreeable for financial backers who value protection and the formation of cash. Nowadays digital forms of money like Bitcoin, Ethereum, Ripple, Litecoin, and so on are



moving in the monetary market as individuals are showing revenue by purchasing digital currencies. Then again there is a more noteworthy populace with a confounded perspective concerning the general exhibition of digital money. Bitcoin was the principal decentralized digital money made in the year 2009.

Cryptographic money doesn't shape any actual structure as it is totally computerized esteem in the web. These monetary standards can be utilized as money identical for exchanges and other businesses. Digital currency doesn't depend on the monetary institutional guidelines yet is encoded and safeguarded which makes it challenging to expand the stockpile of cash over a predefined calculation rate. Digital currency charges expenses at the very least rate which is relatively lesser than the expense gathered by a monetary organization for the handling of a Mastercard. Digital currency can be changed over into various kinds of cash and kept into client's records at a quicker pace.

2. Review of Literature

Rahman and Dawood (2019) in their Bitcoin and Future of Cryptocurrency zeroed in on digital currency as an innovative and in fact progressed elective for globalization. It analyzed the chance of an option for handling installments across topographical limits and whenever directed really digital currency could eliminate a ton of the monetary difficulties looked in the present.

ShailakJaini (2018) in his The Growth of Cryptocurrency in India centers around perspectives, for example, the effect of digital forms of money in India and the open doors that show up with it. It additionally discusses the different parts of different nations and their principles and council rotating around the Introduction of digital forms of money.

Rahul J. Nikam (2018) in his Model draft guideline on Cryptocurrencies In India centers around parts of India to begin taking a firm choice on cryptographic money exchanging and control it and furthermore talks concerning how the RBI should be more open to the possibility of digital currencies and get the worth and open doors that accompany it.

Gunjan Jindal and ShezaAzeen (2018) in their Legal acknowledgment of bitcoin in India talk about how bitcoin assumes an urgent part in conglomerating the development level of the country and how it wouldn't be within the realm of possibilities except if the public authority pushes towards making the exchanges lawful and infers its guidelines on it.

M Trivedi (2018), in his task, talks about the Strengths, Weaknesses, Opportunities, and Threats of Cryptocurrency additionally, its augmentation in India. Cryptographic types of



cash have been considered to be useful interests for quite a while. By virtue of its various focal points: Easy availability, No commitment of any center individual, Fast portions, Low trade charges, and Information security. In any case, Cryptographic types of cash moreover experience the evil impacts of specific inadequacies. The security of data and computerized cash has been a huge concern.

Neil Shroff and Padma Venkataraman (2017) in their paper, attempt to set out a managerial framework for Blockchain Protocol Tokens, tending to both ICO Tokens and Cryptocurrency. The layout 3 sweeping classes of tokens, further divided into 5 sorts subject to their tendency, and risks for the two regulators and buyers. By then, they proposed one of two authoritative procedures: demanding consistency with existing regulations or helping to gather rules, dependent upon the limit and justification behind the token concerned. We have hoped to shield the normal inspiration driving different ICO Tokens while setting predictable necessities, according to existing regulations, including Securities Regulations, Tax Laws, Companies Law, and KYC guidelines (KYC/AML/CFT).

(Dr.) Pramod Kumar Pandey (2017) in his Bitcoin As Emerging Virtual Currency and Its Related Impact on India zeroed in on the significant yields and the high gamble that goes along. He accepted bitcoins aren't full-grown and putting resources into bitcoins would be like bouncing in a dull well without knowing the profundity, since bitcoin isn't supported by anything. One of the difficulties to be confronted is laid out it as cash or item. Assuming that this is laid out as a money, most likely RBI will assume the main part in its guideline, while in the event that this is aware, SEBI will start guidelines.

KomalDhande (2017) in his Bitcoin and Its Prospects in India study centers around the exceptional development in the acknowledgment of digital forms of money yet doesn't see it supplanting paper monetary standards at any point in the near future. The issue is to structure it for the law implementation organizations and clients to guarantee wellbeing in exchanges and the issues to decide a method for charging digital money charge. The high development of bitcoins has drawn in a great deal of revenue however the high measure of hazard implied in keeping the financial backers reluctant to contribute. However, the review shows confidence in virtual monetary standards, a decent lawful and administrative system is expected for financial backers to trust this type of money in India.

Dr. Vijeta Banwari's (2017) Cryptocurrency-Scope in India examines the adjustment of money and the universe of cash. Digital currencies have a gigantic gamble factor yet are



progressively well known and it will be challenging for the public authority to control the exchange. The Blockchain Foundation of India, (entryway of around 45 crypto sellers,) guaranteed that in excess of 30 new trades have applied for enrollment in the new two months. (The Print, 2018). Blockchain can possibly further develop the manner in which information is put away. Notwithstanding the prohibition on digital currency, the blockchain is embraced in different government organizations(Andhra Pradesh, Maharashtra, etc). Over the counter, markets could come up in the future as opposed to directing exchanges through banks.

Kurihara and Fukushima (2017) clarified, it isn't computerized cash, which has won from one side of the planet to the other. In contrast to national bank-and official cash, Bitcoin can be expanded freely, the stock of Bitcoin is restricted to a specific volume, which can't be changed.

Wonglimpiyarat, (2016) features that there are deterrents of untamed delicate where Bitcoin needs the public authority's regulation to help the reasonability of this new cash. Bitcoin money might change the fate of banking in emerging nations, yet it is difficult to substitute a money-based society.

Rehman and AK Dawood (2013) in their undertaking say that because of the quick improvement of data and correspondence advances, numerous exercises in our day-to-day existence have been combined on the web and they become more adaptable and more compelling. The gigantic development in how much virtual clients has enacted virtual word ideas and made another business peculiarity which is a digital currency to work with monetary exercises like purchasing, selling, and exchanging.

Cryptographic money addresses significant and theoretical resources which are utilized electronically in various applications and organizations like internet-based informal communities, online social games, virtual universes, and shared networks. The utilization of virtual money has become far and wide in a wide range of frameworks lately. This paper targets matching the client's assumptions for the eventual fate of digital currency.

3. Objectives

The targets of this study are as per the following:

1. To know the effect of digital currency on the Indian economy
2. To know the current status of cryptographic money in India and what's to come.



Term utilized:

Digital money: It is computerized cash. It is viewed as safer than genuine cash.

Cryptography: It is a strategy for changing over understandable information into convoluted codes which are difficult to break.

Block Chain - A Block Chain is an assortment of connected Blocks from the latest one to the Genesis Block

4. Further discussion

Cryptocurrency in India

The effect of digital currencies on the Indian economy is plainly portrayed as the costs of the cryptographic money market are presently tumbling down. The Indian government has made clear its stand of not giving a legitimate status to digital currency in India. The justification for this sort of a choice from the government hails from first, the test of observing the decentralized exchanges in digital currencies is challenging to follow which could be profitable for the programmers, lawbreakers, and furthermore for fear monger exercises. The subsequent explanation being cryptographic money market could be a main rival for the financial assistance industry.

Cryptographic money like Bitcoin has become famous in India and different countries as the volume of Indian rupee being exchanged as a digital currency has been at the most noteworthy post demonetization. Investigates show that the volume produced by the rupee overwhelmed cryptographic money is the third biggest volume exchanged after the American dollar and yen. The demonetization strategy of 2016 may have supported the execution of digital currencies among a significant portion of the populace yet real factors quickly started to come out that have curbed the development of the market in the country. Notwithstanding its gigantic populace, India just contributes two percent of the entire worldwide digital currency market capitalization. Digital forms of money in the Indian setting depict not many impediments. They are as per the following:

Dependability and security:

Digital money for its trait of being a computerized method of exchange has turned into an exceptionally normal stage for programmers, dread money, drug exchange, and illegal tax avoidance. This has carried sluggishness among the populace to a bigger degree as it brings lesser security and absence of dependability.



Theoretical and hazardous:

There are different kinds of digital forms of money accessible on the lookout and these cryptographic forms of money capacities on the speculative market it makes. Not all the digital forms of money might bring great returns for a cryptographic money financial backer. The cost is absolutely chosen the interest supply of the digital currency. Hypothesis turns into the vital participant if there should be an occurrence of estimating digital money and consequently the gamble figure comes.

Burdening inconvenience:

The personal Tax rules don't make it clear on the taxability of cryptographic money gains. Anyway, the personal duty specialists haven't precluded the chance of burdening the increase of digital currencies. Assuming a financial backer makes a capital addition from the ventures of digital currencies, it welcomes charge obligation as long haul capital increase or transient capital relying on the time of holding the cryptographic money.

Absence of administrative body:

Indian government is following a pause and watch strategy towards digital forms of money; whereas different countries of the world have as of now answered to the utilization of digital money. There is no administrative body to take care of the exchange of digital forms of money. This has prompted expanded possibilities of misrepresentation, danger to financial backer security, and checking of the development of cash in the economy. Save bank of India alongside other national banks of the world couldn't follow the exercises of cryptographic forms of money.

Value Volatility and KYC Norms:

Digital money is an exceptionally unstable market as the estimating system relies on request and supplies alongside theory, hence a financial backer who pursues a digital money exchange need to go under the KYC standards which might require some investment for the endorsement by the individual wallets. This endorsement time taken could fluctuate from one wallet to another and may even require a couple of days' time. In such cases, the financial backer will, in general, lose the possibility of creating gain as the worth of the cash would be fluctuating at a bigger speed.

5.Present and eventual fate of Cryptocurrency in India



By and by there is no guideline in India for digital forms of money. The shortfall of a guideline certain bitcoin trades like Unocoin, Zebpay, and so on have started their activity in exchanging digital forms of money with Know Your Customer (KYC) standards. The Reserve Bank of India at first was against the exchanging of digital forms of money in India, but in the year 2014 RBI showed its revenue in blockchain innovation utilized by digital money to lessen the actual paper cash flow. In 2015, a monetary strength report was distributed by RBI to recognize the significance of the private blockchain. In 2016, ICICI manage an account with Emirates NBD (as far as resources, one of the biggest financial gatherings in the Middle East) has executed exchanges and settlements utilizing blockchain innovation. Then, at that point, in 2017, a white paper has been given by the Institute for Development and Research in Banking Technology (IDRBT) of RBI and furthermore, a pilot test was taken.

The Union money serves in his Union Budget 2018 discourse said, the public authority doesn't consider digital currencies legitimate delicate or coins and will go to all lengths to kill utilization of these crypto resources in financing ill-conceived exercises or as a component of the installment framework. However, the public authority has perceived blockchain and said that a disseminated record framework or the blockchain innovation permits the association of any chain of records or exchanges, without the need for mediators. The public authority will investigate the utilization of blockchain innovation proactively for introducing a computerized economy.

However, the government is adopting a wary strategy on cryptographic forms of money, it is bullish on the utilization of blockchain. The cryptocurrency industry accepts that blockchain and cryptocurrencies need to go connected at the hip. Be that as it may, except if and until a decentralized framework is shaped, it is on par with following along. If by some stroke of good luck block affix innovation is to be obliged that simply develops an incorporated framework that gives power to an individual or a body to redress and change it. Specialists and spectators in the national trust anticipate that the public authority will direct digital forms of money in India in various stages. These good and certain signs give desire to the business of digital money. Meanwhile, privately owned businesses managing cryptographic forms of money have set up an affiliation called, the Digital Assets and Blockchain establishment which has been occupied with instructing general society on the invaluable and speculation



roads in digital currency by leading security checks, ID reports given by the public authority, Permanent Account Numbers (PAN) or Aadhaar IDs.

With the arrival of the internet, cryptocurrency also has tremendous growth potential. With the help of both these factors of the internet and blockchain technology, in the future, there are probabilities of virtual banks in India. Hence to prove it on a positive note the Reserve Bank of India has taken initiatives to launch its own cryptocurrency named ‘Lakshmi’.

6. Conclusion

Cryptocurrency is an attractive model of payment method that is effective and secure that could boost companies. They also act as an alternative method of payment apart from currency notes, which allows users to take part in financial activities such as transferring, exchanging, buying, and selling easily with the blockchain technology adds more security to your transaction. Various factors could bring positive changes to e-commerce or e-business and e-payment sectors which also carries several negative factors that affect this method of transaction. Cryptocurrency needs to be well regulated and controlled to gain more trust. But with the high growth of interest in cryptocurrency and blockchain around the world, banning it in India wouldn't be an option and we shall look forward to what the RBI takes forward regarding cryptocurrency in India.

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