

Effects of Crypto Currency in India

Shubham Diyundi ¹, Prof. Sandhya Dahake ²

Department of computer Science ,G H Raisonni Institute of Engineering and Technology, Nagpur, India - 440016

shubhamdundhy@gmail.com

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Abstract- *Crypto currency is an innovative concept of decentralized virtual currency. It has turned out to be a new venue of investment instrument in India similar to gold.. This study focuses on understanding what crypto currency is all about and its impact.*

Keywords- *Cryptocurrency, Blockchain Technology, Impact on Indian Economy.*

I – INTRODUCTION

Over in the recent past cryptocurrency has been a subject of discussion among the public at large. In the world of technological advancement, cryptocurrencies are becoming more and more comfortable...for investors who values privacy and creation of money.A cryptocurrency is a digital or virtual currency that is secured by cryptography, which makes it nearly impossible to counterfeit or double-spend. Many cryptocurrencies are decentralized networks based on blockchain technology a distributed ledger enforced by a disparate network of computers.

Cryptocurrency doesn't form any physical form as it is completely a digital value in the web. These currencies can be used as cash equivalent for transactions and other business. Cryptocurrency doesn't rely on the financial institutional regulations Cryptocurrency charges fee at a minimum rate which are comparatively lesser than the fee collected by a financial institution for the processing of a credit card. Cryptocurrency can be changed over into different types of money and kept into client's records at a faster pace. Crypto currency is electronic money designed to be quicker, cheaper and more reliable than government issued money. It enables people to send money directly

without a middleman and the transactions are affordable for all..

I. Bitcoin

Bitcoin was the first cryptocurrency, created in 2009 by Satoshi Nakamoto, and it's been on a roller-coaster ride since then. However, it wasn't until 2017 that the cryptocurrency broke into popular consciousness.

I. Ethereum (ETH):

The system allows you to use ether (the currency) to perform a number of functions, but the smart contract aspect of Ethereum helps make it a popular currency.

II. Binance Coin (BNB) :

Binance Coin is the cryptocurrency issued by Binance, among the largest crypto exchanges in the world. While originally created as a token to pay for discounted trades, BinanceCoin can now be used for payments as well as purchasing various goods and services.

III. Tether (USDT):

Tether's price is anchored at \$1 per coin. That's because it is what's called a stablecoin. Stablecoins are tied to the value of a specific asset, in Tether's case, the U.S. Dollar. Tether often acts as a medium when traders move from one cryptocurrency to another.

IV. Solana (SOL):

Launched in March 2020, Solana is a newer cryptocurrency and it touts its speed at completing transactions and the overall robustness of its “webscale” platform. The issuance of the currency, called SOL, is capped at 480 million coins.

V. Cardano (ADA) :

Cardano is the cryptocurrency platform behind ada, the name of the currency. Created by the co-founder of Ethereum, Cardano also uses smart contracts, enabling identity management

VI. USD Coin (USDC) :

USD Coin is a stable coin pegged to the dollar, meaning that its value should not fluctuate.

VII. XRP (XRP) :

Formerly known as Ripple and created in 2012, XRP offers a way to pay in many different real-world currencies. Ripple can be useful in cross-border transactions and uses a trust-less mechanism to facilitate payments.

VIII. Polkadot (DOT) :

Launched in May 2020, Polkadot is a digital currency that connects the technology of blockchain from many different cryptocurrencies.

IX. Terra (LUNA) :

Terra is a platform that helps backstop a range of stablecoins based on real currencies such as the dollar or euro. Terra helps stabilize the price of stablecoins through various technical means, and it also supports smart contracts.

X. Dogecoin (DOGE) :

Originally created as a joke after the run-up in Bitcoin, Unlike many digital currencies limiting the number of coins in existence, Dogecoin has unlimited issuance. It can be used for payments or sending money.

XI. Avalanche (AVAX) :

Avalanche is a fast and low-cost smart contracts-based blockchain platform focused on building decentralized apps and facilitating the creation of custom blockchains. Its users can process transactions in the native AVAX token.

II -METHOLOGY

Positive Aspect of CryptoCurrency :-

- There is no need of middleman.
- Unlike other traditional payment systems like debit and credit card, crypto currencies have no processing charge.
- Credit or debit cards often take two or three days to process. With crypto currencies, transactions take 10 minutes to clear it.
- All the transactions are done on one-to-one basis and it also becomes easier to establish audit trails
- Crypto currency is electronic money designed to be quicker, cheaper and more reliable than government issued money.
- In financial system, it is helping the industries to grow rapidly with its nature of low transaction cost.

Negative Aspect of Crypto Currency :-

- The price of crypto currencies can change drastically over a short period of time which becomes trading with it slight difficult for the marketers.
- Cryptocurrency for its characteristic of be a digital mode of transaction, it has become a very common platform for hackers, terror finance, drug transaction, and money laundering.
- Not all the cryptocurrencies may fetch good returns for a crypto currency investor. The price is purely decided upon the demand supply of the cryptocurrency.
- There are no regulatory body to look after the transaction of cryptocurrencies. This has led to increased chances of fraud, threat to investor protection, monitoring of the movement of money in the economy. Reserve bank of India along with other central banks of the world was unable to track the activities of cryptocurrencies.
- The income Tax rules don't make it clear on the taxability of cryptocurrency gains. However the income tax authorities haven't ruled out the possibility of taxing the gain out of cryptocurrencies.

- An investor who signs up for a cryptocurrency transaction have to go under the KYC norms which may take some time for the approval by the respective wallets. This approval time taken could vary from wallet to wallet and may even take a few days' time. In such cases the investor tends to lose the chance of making profit as the value of the currency would be fluctuating at a larger pace.

Crypto Currency in India

Presently there is no regulation in India for cryptocurrencies. The Reserve Bank of India initially was against the trading of cryptocurrencies in India, however in the year 2014 RBI showed its interest in block chain technology used by cryptocurrency to reduce the physical paper currency circulation. In 2015, a financial stability report was published by RBI to identify the importance of private blockchain. In 2016, ICICI bank with Emirates NBD (in terms of assets, one of the largest banking groups in the Middle East) has executed transactions and remittance using block chain technology. Then in 2017, a white paper has been issued by Institute for Development and Research in Banking Technology (IDRBT) of RBI and also a pilot test was taken.

Indian government has made it clear with their stand of not providing a legal status for cryptocurrency in India. The reason for this kind of a decision from government hails from first, the challenge of monitoring the decentralized transactions in cryptocurrencies are difficult to trace which could be advantageous for the hackers, criminals and also for terrorist activities. The second reason being cryptocurrency market could be a leading competitor for the banking service industry. Cryptocurrency like Bitcoin has become popular in India like other nations as the volume of Indian rupee being traded in cryptocurrency have been at the highest post demonetisation.

The most popular crypto coins like Bitcoin, Ethereum, Dogecoin and ShibaInu are public and their transactions and completely transparent. At present there is no legislation that covers cryptocurrency in India that doesn't mean it is illegal. Central bank digital currency (CBDC) has received a proposal from RBI for an amendment in RBI-1934 act to enhance the scope of definition of bank note to include in digital form.

Experts and observers in the country hope and predict that the government will regulate cryptocurrencies in India in different stages. These favorable and positive signs give hopes to the industry of cryptocurrency. Meanwhile private companies dealing in cryptocurrencies have set up an association called, the Digital Assets and Blockchain

foundation which has been engaged in educating the public on the advantageous and investment avenues in cryptocurrency by conducting security checks, identification documents issued by the government, Permanent Account Numbers (PAN) or Aadhaar IDs.

As the arrival of internet, cryptocurrency also has a tremendous growth potential. With the help of both these factors of internet and blockchain technology, in future there are probabilities of virtual banks in India. The cryptocurrency and regulation of official digital currency bill 2021 likely to prohibit all private cryptocurrencies but seeks to introduce a digital currency of its own. Hence to prove it on a positive note the Reserve Bank of India has taken initiatives to launch its own cryptocurrency named as 'Lakshmi'.

IV- CONCLUSION

This paper is to make the young India to have better understanding of crypto currency and its future in India. On the other hand, there are a greater population at a confused state of mind with regards to the overall performance of cryptocurrency. Crypto-currency is such an invention which has become a global phenomenon. cryptocurrency is a modern technology and a tool which needs to look forward for. Even though there has been no regulatory response from the Indian government, the number of investors in cryptocurrency is increasing rather swiftly over the last few years. Indian government should take responsible steps now to regulate such currency as its user in India is rapidly growing. Future of cryptocurrency in India looks promising and there is ray of hope there are obstacles of lawless tender where Bitcoin wants the government's legislation to boost the permissibility of this new currency. Crypto Currency may transform the future of banking in developing countries but it is hard to substitute a cash-based society.

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