



A Study on Cryptocurrency in India

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Abstract

With the rapid development of information and communication technology, many of our daily life activities have been integrated online, making it more flexible and effective. The massive increase in the number of online users has revived the concept of virtual words and created a new business phenomenon: cryptocurrencies that facilitate financial activities such as buying, selling, and trading. Digital currencies represent valuable and intangible objects that are used electronically in various programs and networks such as online social networks, online social games, virtual worlds, and peer-to-peer networks. In recent years, the use of virtual currency has expanded in various systems. This article explores user expectations for the future of digital currencies. It also examines the confidence of users in dealing with cryptocurrencies when the use of such digital currencies is not fully controlled and regulated. Its purpose is to measure the prevalence of the use of digital currencies, to understand. This article also analyzes how 21 different countries have reacted to cryptocurrencies in terms of regulations and laws to get a clear picture of the impact of various laws in India to regulate cryptocurrencies.

Keywords: Bitcoin, Cryptocurrency, Government, Cryptocurrency Legislations, Opinion of Government.

I. Introduction

There is no doubt that the age of information and communication technology has created many golden opportunities in different aspects. One of the areas that benefit from these technologies and online connectivity is the financial and business sector. An increasing number of online users are reviving the concept of the virtual world and creating a new business phenomenon. Thus,

new types of deals, transactions and currencies are born. One notable form of finance that has emerged in the last few years is digital currency. Digital currency (CC) can be defined as a medium of exchange that can be used in many financial transactions, whether virtual or real, separate from real world money. Cryptocurrencies represent valuable and intangible objects that can be used electronically or virtually in various programs and networks such as online social networks, online social games, virtual worlds and peer-to-peer networks.

Cryptocurrency is a digital or virtual currency that works like a token and is intended to be a global trading method that can keep its value. They are also protected by encryption, which makes it mentally difficult to duplicate and fake.

Cryptography offers very strong protection for cryptocurrency, which can be thought of as a digital or virtual currency. It is impossible to engage in double-spending or counterfeiting cryptocurrency. A cryptocurrency operates on a decentralized network and is based on the Blockchain idea. The trading of Bitcoin occurs between willing people without any third parties being brokers or regulatory organizations involved.

Background of the Study

The Indian government has said that it would impose a 30% tax (the highest tax rate in India) on income derived from cryptocurrency in the Union Budget 2022–2023 document. Varied professionals, academics, and major financial institutions have different perspectives on this. They assert that either the Indian cryptocurrency market would come to an end or that the Reserve Bank of India would introduce coins. In light of this, we hope that this page will serve as a resource for



future research and discussion on the history and prospects of cryptocurrencies in India.

Need for the Study

□ This research helps us to gain knowledge about cryptocurrencies and their impact

Understand various topics like -

Can India gain positive financial leverage from using Bitcoin?

Should India Say Yes to Bitcoin?

□ The production of this study is to enable us to better understand the following:

□ Bitcoin, Lakshmi coin, digital currencies.

□ Study provides an opportunity to develop and expose analytical and technical skills

Towards digital currency revolution.

□ Provide an overview of the Indian cryptocurrency market.

The trending words used by the media, younger generations, investors and IT workers

Bitcoin and Cryptocurrency. Is it time for India to go cashless? - In this case! Using Bitcoin

What are the positive steps that will enable India to achieve this great dream?

Problem Statement

□ This research is relevant to achieve a deeper understanding of the impact of digital currencies on investor decision making.

Production and economy

□ Playing a key role in today's financial investment, helping to increase digital capital,

It affects economic growth.

□ Meet the current needs of the digital age and influence investor decisions.

□ Analysis of strengths and weaknesses of digital currencies in India.

□ Analyze the current position of digital currencies and their investors.

□ Provide information on postimplementation economic conditions

Digital currency.

□ Study the changes that digital currencies have brought to investors and the economy.

II. Review of literature

With the invention of innovation and the use of digital currency, the world has been developing into a society with no money. One of the most significant innovations in money is a cryptocurrency, which is a digital currency that can be controlled by any central authority or bank and is universal. However, there are some problems with this new currency, which has caused many countries

to stop using it. India is one of the countries that has banned the use and extraction of Bitcoins. However, according to a Supreme Court decision, Bitcoin trading is no longer banned in India from now on. That is why it is important to understand Bitcoin trading in India, which includes how it works, how it originated in India, and the parties involved in this transaction

Research Gap

Research gap is a question or problem that has not been answered by any existing research or research within your field. Sometimes, a research gap occurs where there is a new idea or idea that has not been studied at all. Sometimes we find a research gap when all existing research is out of date and needs new / updated research (online studies in 2001, for example). Or, perhaps a certain number of people did not read well (perhaps there are many lessons about teens and video games, but there are not enough lessons for toddlers and video games, for example).

There are many ways in which cryptocurrency trading is commonplace, but there are many differences, too. This is why it is possible to use common definitions, but they need to be properly adjusted and linked according to the specifications of cryptocurrencies.

The price gap, for example, is a recurring theme in traditional markets, and we can already see it becoming a factor to consider when it comes to Bitcoin price analysis.

The gap is the area of the chart where the asset price rises or falls from the close of the previous day without any trade taking place in the middle.

Most people who know about Bitcoin can rightly think that this will not happen with a very large cryptocurrency with a market cap. After all, the crypto market does not stop trading on Friday - it is a 24/7 endless show.

Research Objectives

Learn how cryptocurrencies are impacting the Indian economy

□ Research the current status and future prospects of digital currencies in India

□ Understand the importance of digital currencies according to the perceptions of investors.

□ Analyze investors' perceptions of digital currencies.

□ Examining the factors that investors consider and the factors that ultimately affect them. investment.

□ To predict the future outlook of the digital currency investment market.



□ Check the current profitability of different cryptocurrencies. analyze

The power to earn money and income of digital currencies.

Hypothesis

Hypothesis 1-

There is a positive impact of cryptocurrency on the Indian economy.

Cryptocurrency has a negative impact on the Indian economy.

Hypothesis 2

Cryptocurrencies have had a significant impact on investors' investment decisions.

Cryptocurrencies have the least impact on investors' investment decisions

Data Collection Method

In this study, we chose a method of analytical research.

We used secondary data from

- financial websites,
- The website of the Government of India,
- journals,
- newspapers,
- books, and magazines, among other sources, to meet research objectives.

Data Analysis and Findings

How Does Bitcoin Work and What Is It?

Each Bitcoin is essentially a computer file that is kept in a "digital wallet" on a computer or smartphone.

You can receive Bitcoins (or portions of them) in your digital wallet, and you can also send Bitcoins to other people.

In the public ledger known as the blockchain, every single transaction is documented.

People may trace the history of Bitcoins in this way, which makes it impossible for them to spend money they don't have, clone transactions, or reverse them.

How are Bitcoins obtained by people?

There are three fundamental ways to get bitcoins.

- Real money can be used to buy bitcoins.
- You can take Bitcoin as payment while selling goods.
- A computer can also be used to create them.

What steps are involved in producing new Bitcoin

For the Bitcoin system to function, users can force their computers to process transactions for everyone. The devices are made to handle incredibly difficult mathematical problems. They occasionally receive a Bitcoin as payment, which the owner keeps. People

just construct powerful computers to acquire Bitcoins. Mining is the term used for this.

However, it's getting harder and harder to stop the generation of too many Bitcoins. If you start mining now, it might be years before you ever get a single Bitcoin. The electricity costs for your computer may end up costing more than the value of one bitcoin.

Why are Bitcoins worth so much money?

Two examples of non-monetary objects that humans value include gold and diamonds. The Aztec people used cocoa beans as money. Bitcoins are valued because people are ready to exchange them for actual goods and services as well as money.

Why is there such a surge in interest in bitcoins?

Because Bitcoin is unregulated by the government or banks, some people favor it. Additionally, Bitcoin can be used in a largely anonymous fashion, thought that every transaction is recorded, until you let someone know which "account number" belonged to you, they wouldn't know.

Is it safe to use?

It is exceedingly difficult to copy Bitcoins, generate counterfeit ones, or spend ones you don't own because every transaction is visible to everyone. Your bitcoins could be permanently lost if you lose your wallet or accidentally delete them. There have also been thefts from websites that let you keep your Bitcoins remotely. Because of the volatility in the value of Bitcoins since its launch in 2009, some individuals think it is hazardous to exchange actual money for them.

Journey of Cryptocurrency in India to date

• **Between 2013 and 2017:** The years 2013 and 2017 can be viewed as the beginning of the cryptocurrency trend in India. During this time, there were a lot of questions, misunderstandings, and confusion regarding the emergence of cryptocurrencies in India. The public was forewarned about cryptocurrency by RBI in 2013. The term "public" in this context refers to buyers, sellers, traders, and other organizations. The RBI has also stated that it is closely monitoring all events relating to cryptocurrencies, particularly those involving Bitcoin (a very prominent cryptocurrency) and other cryptocurrencies (Altcoins, which are an alternative digital currency to Bitcoin). The Reserve Bank of India (RBI) issued a stern warning to the public that "virtual currencies/cryptocurrencies are not legal money in India" in February 2017 and again in the third quarter of the same year. The government of India has established a committee to examine various cryptocurrency-related concerns



and inform about the necessary future actions as a result of some PILs (Public Interest Litigations) filed in court in response to the RBI's warning. As a result, there was no restriction on virtual currencies during this time.

- **2018:** It's crucial to note that the Indian Finance Ministry-appointed committee developed a bill on cryptocurrencies in April 2018 but "was not in favor of a ban."

- **2019:** (bill to outlaw cryptocurrencies): Following are some key points: In India, engaging in cryptocurrency trading, mining, holding, or use can result in a monetary fine or a 10-year prison sentence.

With effect from the publication date of this act, any holder, user, or person shall declare or dispose of all cryptocurrencies in their possession for 90 days period.

Cryptocurrency methods and technologies can be used for research, development, teaching, and academic endeavors.

The RBI may eventually introduce the digital rupee as legal money in India.

In the benefit of the public, the Indian government may waive certain trading restrictions (if necessary).

- **2020** (an RBI setback): The RBI suffered a setback in March 2020 when the Indian Supreme Court overturned the RBI's ban on cryptocurrency.

Judgment: In a 180-page decision, a panel of judges led by Justices Rohinton Nariman, Aniruddha Bose, and V. Rama Subramanian found that: (1) The Reserve Bank of India has not yet mentioned any point regarding regulations of virtual currencies by nationalized banks, commercial banks, other financial institutions, etc.; and (2) The exchange of virtual currencies has not yet resulted in any negative effects, directly or indirectly, wholly or partially.

The bench's chief justice, Justice Rama Subramanian, deemed the RBI position to be extremely "disproportionate." The Supreme Court has also pointed out the failure of the Indian government to establish a legitimate digital rupee, despite numerous bills and committee recommendations.

- **2021:** A high-level Inter-Ministerial Committee (IMC) was established, with the secretary of economic affairs serving as the committee's chairman. The committee's mandate is to investigate various cryptocurrency-related issues and make

recommendations for future measures. Nirmala Sitharaman, the finance minister, made all of this official in the Rajya Sabha on February 20, 2021. The government is abutment about introducing a bill on cryptocurrencies, according to Anurag Thakur, minister of state for finance announced in the legislature. The government intends to advance research and innovation in fields related to cryptocurrencies, according to Nirmala Sitharaman, minister of finance.

The Blockchain and Crypto Assets Council (BACC) and various representatives of Indian cryptocurrency exchanges met with the standing committee on finance in November 2021, and an concluded conclusion that it would be unfair to outright ban cryptocurrencies in India; instead, they should be regulated. Following that, the governor of the Reserve Bank of India, Shaktikanta Das, talked about how the unregulated nature of cryptocurrencies poses a risk to the financial system and how eager the RBI is to introduce its own digital currency (as legal cash, of course). The government has not taken any action to ban cryptocurrency ads in India, according to finance minister Nirmala Sitharaman, who said in the Rajya Sabha that it will instead raise awareness of cryptocurrencies through the RBI and SEBI (Securities and Exchange Board of India).

Limitations of Research

No form of digital currency is free from some economic and security concerns. In order to investigate the challenges and problems that exist in such virtual phenomena, we analyzed several studies and digital currency platforms. We also saw several digital currency sales forums. Key issues and implications of digital currencies include:

Security Threats: Hackers and malicious users can create whatever they want from digital currencies if they know how to break into the system and create it. This allows you to create fake cryptocurrencies or steal cryptocurrencies just by changing your account balance. For example, selling virtual items or in-game currency violates World of Warcraft (WoW) game policies. Therefore, many users go to WoW gold selling websites and buy virtual gold to pay for their virtual expenses. Many WoW gold selling websites are unreliable and vulnerable to hacking, and many users complain of paying real money for free or fake virtual currency.

Fluctuations in the value of digital currencies: A study by Chow and Guo observed that the value of digital currencies decreases when the popularity of virtual communities decreases. For example, a user with 1000 units of virtual currency



can buy 100 different products. If the virtual currency provider goes down, users can only buy from 10 items in increments of 1000. This is because the decline is reflected in fewer goods and services, especially in closed virtual communities.

Money Laundering: Money laundering is one of the most likely increased risks of using VCs, especially on platforms that allow users to exchange virtual currency for real money. In a real-life case in South Korea in 2008, police arrested a group of 14 people for laundering \$38 million from the sale of digital currencies. The group transferred \$38 million in gold farming proceeds from South Korea to Chinese paper companies as payment for their purchases.

Unknown Identity Risks: Account creation on most cryptocurrency platforms, such as social games and social networks, is not authenticated, so financial transactions cannot be adequately monitored. Gamers and users can create multiple anonymous accounts and use them for illegal transactions. There is no way to know the source of the creation or payment of virtual currency. This makes the transaction untraceable if money laundering is suspected. Additionally, the lack of identity allows criminals to pay for their crimes with digital currencies.

The black market of digital currencies: The financial situation of some social games such as Second Life and World of Warcraft is mature enough to create a black market for buying and selling digital currencies. Due to the increasing popularity of virtual currencies in the online environment, the black market of trading virtual currencies for real money is booming. Looking at several social gaming forums, several cases of scams were raised and discussed among users.

Impact of the Union budget 2022-23 on Cryptocurrencies in India:

The transfer of any virtual currency or cryptocurrency asset will be entitled to a 30% tax deduction, the Indian government has stated plainly in the union budget for 2022–2023.

No loss incurred in the transaction may be carried forward.

Virtual goods and cryptocurrencies used as gifts will be taxed in the recipient's hands.

By 2023, RBI plans to launch a Central Bank Digital Currency (CBDC) on blockchain technology.

1% of all payments made for the transfer of digital assets will be taxed at the source.

• **Impact:** The Indian government may now officially recognize cryptocurrencies as legal assets and the

trade of those assets as a legal business. Clarity on the tax slab removes uncertainty and could grow the industry.

• **Unfavorable for investors:** Given how volatile cryptocurrencies carry-forward forward losses will be a setback for investors. This worry will always prevent investors from dealing with cryptocurrencies, especially retail investors. The high tax rate will reduce investors' net profits, and beginning on April 1, 2023, the 115BBH provisions on income from virtual currencies will go into effect.

• **Problem:** Because income tax in India is based on assets rather than the way those assets were acquired, taxing cryptocurrencies does not fully and publicly declare them to be legal. • **Future:** It is highly improbable that the Indian government will submit a new statute to make cryptocurrencies illegal based on historical precedent and recent tax disclosures.

Further Scope of Research

The discussion above indicates that although the history of cryptocurrencies in India has not been very long, there have been many ups and downs throughout this brief period. The two most important problems are the Supreme Court ruling in 2020 and the measure prohibiting cryptocurrencies in 2019.

Cryptocurrencies have a lot of promise, and Indians have lately resumed talking about them following the presentation of the union budget for 2022–23 on February 1st. It will be quite fascinating to see how investors in India respond to cryptocurrencies after the application of 30% taxes.

The debut and features of the future digital money issued by the RBI will be crucial. Investors have begun to claim that India is copying China by giving the RBI exclusive jurisdiction to establish and promote digital currencies as of the union budget 2022–2023. It will be quite intriguing to see the nature and regulations of cryptocurrencies if the Indian government introduces a new bill on the subject. Aside from all the facts and forecasts, one thing is certain: Blockchain technology and cryptocurrencies will be hot topics in the coming years.

Until the government takes firm action on the working and regularisation of cryptocurrency the research can be further expanded based on the various changes that will be brought in by the Government.

III. Conclusion



The Indian government should take a stand in the world of cryptocurrencies as it has huge potential to bring

Technological revolution in the country. Taxes on cryptocurrency gains also add up to huge sums of direct

The tax that goes to the I-T sector can drive the overall growth of the economy. Indian

The government should be keen to regulate rather than announce a blanket ban. need to be made

It is transparent, safe and more reliable. Citizens should be more aware about the overall functioning of

Cryptocurrency to invest more on it, especially in India which is the second largest in terms of population.

Cryptocurrencies have a bright future that encourages e-investment, e-business and should have laws.

Regarding cryptocurrencies, many legal, financial aspects are made towards more customer friendly and secure system

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