

# India'S Approach To Cryptocurrencies And Their Potential Implications

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**Abstract** - A cryptocurrency is a kind of decentralized digital money that runs primarily on the blockchain. Blockchain technology is essential to the cryptocurrency system. The government and the central bank of a country are jointly responsible for issuing and controlling the country's currency. This ensures that the country is protected against both inflation and deflation. The importance of the usage of digital money and transactions to the economy of many countries throughout the world is growing at an exponential rate. Even some nations may not want to maintain complete control over their monetary systems or their commercial transactions. Because of this, a significant advance in the development of new money came about in the form of crypto currency. One of the most complicated and ambiguity-filled currencies, crypto money is also unregulated. This makes it one of the most desirable currencies. In this article, I have made an attempt to explore cryptocurrency, its rise in India, and its future possibilities. I have also included some of my findings.

**Index Terms** - Cryptocurrency, Blockchain, Bitcoin, Market cap.

The crafting of this article is to make young India to have a better understanding of cryptocurrency and its future in India.

## INTRODUCTION

Cryptocurrency is a kind of digital or virtual currency that is safeguarded by cryptography, making it exceedingly difficult to fake or double-spend. The blockchain is a decentralized ledger that is monitored and updated by a large network of separate computers. Many cryptocurrencies are decentralized networks that are built on blockchain technology. Because all of today's economies have embraced particular currencies (money) as a means of trade, all of them are monetary economies. By its excess supply and contraction in money supply, the money supply drives both inflation and deflation in economies; as a result, the money supply is managed by the governments of various nations in order to battle inflation or deflation conditions. The use of digital money and transactions is becoming more important to the economies of many nations throughout the globe. Even some countries do not wish to control their monetary systems or their business dealings. This resulted in a bigger innovation in new money, which is cryptocurrency. Cryptocurrency is one of the most sophisticated, ambiguity-filled currencies that are also

regulation-free. In this essay, I took an effort to research cryptocurrency and its growth in India, as well as its future prospects.

Cryptocurrency has emerged as a topic of conversation among members of the general public in recent times. Cryptocurrency is becoming more user-friendly for investors that place a high value on both privacy and the generation of new wealth as a result of recent developments in the field of information technology. People are exhibiting interest in purchasing cryptocurrencies like Bitcoin, Ethereum, Ripple, and Litecoin, amongst other cryptocurrencies, and this has caused a trend to emerge in the financial market. Cryptocurrencies include: On the other hand, a higher proportion of the public is in an unclear mental state in relation to the general performance of bitcoin. Due to the fact that cryptocurrency only exists as a digital value on the internet, it does not have any physical shape. These currencies may stand-in for cash while conducting transactions and other business-related activities. Because of this, cryptocurrencies are not subject to the restrictions of traditional financial institutions. When compared to the fees collected by a financial institution for the processing of a credit card transaction, the fees that are associated with the use of cryptocurrency are, at a minimum rate, much lower. At a much quicker rate, cryptocurrency may be converted into a variety of other monetary systems and stored in the records of individual customers. Cryptocurrency is a kind of digital cash that was supposed to be more secure, private, and expedient than traditional forms of money issued by governments. People are able to transmit money directly to one another without the need for an intermediary, and the costs of the transactions are reasonable for everyone. Bitcoin was the first cryptocurrency ever developed, and its creator, Satoshi Nakamoto, did so in 2009. Researchers' interest is piqued by the phenomenon as a result of its persistent and persistently growing demands and advancements. Due to the fact that it has a cheap cost of transaction, it is contributing to the fast expansion of industries inside the financial system.

## **REVIEW OF LITERATURE**

Cryptocurrency refers to a kind of digital or virtual currency that is safeguarded by cryptography, making it exceedingly difficult to fabricate or double-spend the currency. A blockchain is an example of a distributed ledger that is monitored and updated by a decentralized network of computers. The technology behind several cryptocurrencies, known as the blockchain, enables the creation of decentralized networks. Because all of today's economies employ specific currencies (money) as a medium of exchange, each and every one of them may be classified as a monetary economy. Because of its ability to cause both inflation and deflation in economies, the money supply is managed by the governments of various nations in order to combat inflation or deflation conditions. The excess supply and contraction in the money supply are caused by the money supply's expansion and contraction, respectively. The importance of the usage of digital money and transactions to the economy of many countries throughout the world is growing at an exponential rate. Even some nations may not want to maintain complete control over their monetary systems or their commercial transactions. Because of this, a significant advance in the development of new money came about in the form of crypto currency. One of the most complicated and ambiguity-filled currencies, crypto money is also unregulated. This makes it one

of the most desirable currencies. In this article, I have made an attempt to explore cryptocurrency, its rise in India, and its future possibilities. I have also included some of my findings.

In more recent times, cryptocurrency has been a subject of discourse among members of the general public. Cryptocurrency is short for virtual currency. As a consequence of recent improvements in the world of information technology, cryptocurrency is becoming easier to use for investors who put a high value on both their privacy and the creation of new wealth. This is one of the many benefits that have resulted from these advancements. Because more and more people are showing an interest in acquiring cryptocurrencies such as Bitcoin, Ethereum, Ripple, and Litecoin, amongst other cryptocurrencies, a pattern has begun to form in the market for financial instruments as a result of this phenomenon. On the other hand, a greater share of the general population is in an ambiguous mental state with respect to the overall performance of bitcoin. Examples of cryptocurrencies include: Because cryptocurrency can only be obtained in the form of a digital value via the use of the internet, it does not have any kind of tangible form. When completing transactions and engaging in other activities linked to business, these currencies may serve as a suitable substitute for cash. Because of this, conventional financial institutions' regulations do not apply to cryptocurrencies, which frees them from their shackles. The costs that are linked with the usage of bitcoin are, at a minimum rate, substantially cheaper when contrasted to the fees that are collected by a financial institution for the processing of a credit card transaction. It is possible to keep bitcoin in the records of individual customers at a far faster pace than it is possible to convert cryptocurrency into a range of other monetary systems. Cryptocurrency is a sort of digital cash that was designed to be an alternative to conventional forms of money issued by governments since it is more difficult to counterfeit, more private, and more expedient. People are able to send money directly to one another without going via an intermediary, and the fees associated with the transactions are affordable for all parties involved. Satoshi Nakamoto is credited with being the first person to ever invent a cryptocurrency, and he did so in 2009. Bitcoin was the first ever produced. The phenomenon has grabbed the attention of researchers due to the fact that its demands have been continuously expanding and that it has made continuous developments. The fact that it has a low cost of transaction is one of the factors that is contributing to the rapid growth of sectors that are included in the financial system.

### **1.Bitcoin (BTC)**

- Cost: \$19,195
- Total Market Capitalization: \$366 Billion

Bitcoin, the coin that ushered in the age of cryptocurrencies, is often mentioned first when people discuss other forms of digital cash. The unidentified inventor of the money, who many believe to be Satoshi Nakamoto, released it to the public for the first time in 2009, and its value has been all over the place ever since. In spite of this, it wasn't until 2017 that people started paying attention to cryptocurrencies.

## **2. Ethereum (ETH)**

- Price: \$1,045
- Market cap: \$126 billion

The second term that you are most likely to know in the cryptocurrency field is Ethereum, which is the name of the platform that supports cryptocurrencies. The network enables you to utilize ether (the money) to carry out a variety of operations, but the smart contract feature of Ethereum is a major contributor to the success of the cryptocurrency as a whole.

## **3. Tether (USDT)**

- Price: \$0.99
- Market cap: \$66.16 billion

The price of one Tether coin is fixed at \$1 at all times. This is due to the fact that it is a kind of cryptocurrency known as a stablecoin. Stablecoins are digital currencies whose value is pegged to that of a certain asset, such as the United States Dollar in the case of Tether. When traders want to transfer from one cryptocurrency to another, Tether is often used as a means of exchange. They utilize Tether as their currency of choice rather than reverting to dollars. Tether, on the other hand, utilizes a short-term type of unsecured debt, which is causing some people to be worried since it isn't securely backed by dollars that are kept in reserve.

## **4. USD Coin (USDC)**

- Price: \$1.00
- Total market capitalization: \$55.82 billion

Similar to Tether, USD Currency is a coin that is tied to the value of the dollar, which means that its value should not change over time. The creators of the currency claim that it is supported by assets that have been completely reserved or have a "equal fair worth," and that these assets are stored in accounts with regulated institutions in the United States.

## **5. Binance Coin (BNB)**

- Price: \$216.07
- Market cap: \$35 billion

The cryptocurrency known as Binance Coin was created and is issued by Binance, one of the most prominent cryptocurrency exchanges in the world. Binance Coin was first developed as a token to be used as payment for reduced transactions; however, it is now also accepted as payment and may be used to purchase a wide variety of products and services.

## **6. Cardano (ADA)**

- Price: \$0.44
- Market cap: \$15.12 billion

Cardano is the name of the platform that underpins the ADA cryptocurrency, which is also the name of the currency. Cardano was developed by one of the original founders of

Ethereum and, like Ethereum, makes use of smart contracts to facilitate identity management.

### **7. XRP (XRP)**

- Price: \$0.31
- Market Capitalization: \$15.10 billion

XRP is a cryptocurrency that was formerly known as Ripple and was launched in 2012. It provides users with the ability to pay in a variety of different currencies that are used in the real world. Ripple is a decentralized payment network that operates without the need for third-party verification in order to process financial transactions. It is beneficial for international commerce.

### **8. Solana (SOL)**

- Price: 32.40 dollars
- Market capitalization: \$11 billion

Solana is a more recent cryptocurrency that was introduced in March of 2020. It brags about its lightning-fast transaction processing times and the general sturdiness of its "webscale" architecture. The total amount of coins that may be created using the SOL money will never exceed 480 million.

### **9. Dogecoin (DOGE)**

- Price: \$0.066
- Market cap: \$8.8 billion

The cryptocurrency known as Dogecoin got its name from a popular internet meme depicting a Shiba Inu dog and was first developed as a joke in response to Bitcoin's meteoric rise in value. Dogecoin, in contrast to many other digital currencies, does not place any limits on the total amount of coins that may ever be issued. Payments may be made using it, and it can also be used to transmit money.

### **10. Polkadot (DOT)**

- Price: \$6.70
- Market cap: \$6.62 billion

Polkadot is a new cryptocurrency that will be introduced in May of 2020. It will link the blockchain technology that is used by a variety of other cryptocurrencies. One of the innovators of Polkadot was one of the co-founders of Ethereum, and some people who follow the cryptocurrency market think that Polkadot intends to unseat Ethereum as the dominant cryptocurrency.

### **11. Avalanche (AVAX)**

- Current price: \$16.19
- Total market capitalization: \$4.57 billion

Building decentralized applications and simplifying the construction of unique blockchains are the primary focuses of Avalanche, a blockchain platform that is both quick and inexpensive to use and which is built on smart contracts. Transactions in the native AVAX token, which it supports, may be processed by its users.

Bitcoin has the most dominant position in the market for cryptocurrencies, with around 45 percent of the market share and a market value of 366 billion dollars. It may be purchased for \$19,195 on the market. Alternate cryptocurrencies, those that are not bitcoins, are referred to together as altcoins; this term encompasses a total of 1550 different currencies that are exchanged.

### **ADVANTAGES OF CRYPTOCURRENCY**

- There is no need for a middleman to get involved. All of the transactions are carried out on a one-to-one basis, and it is also much simpler to set up audit trails.
- These currencies can solve the issue of a lack of societal trust, and expanding access to them may help the development process in underdeveloped nations.
- In contrast to more conventional payment methods such as debit and credit cards, transactions enabled via a crypto currency's public network, which utilizes a technology known as the blockchain, do not incur any processing fees.
- Processing times for credit and debit cards are typically between two and three days. When using cryptocurrencies, the clearing of transactions takes around ten minutes. This demonstrates that the processing time for transactions using cryptocurrency is quite short.

### **HARMFUL EFFECTS OF CRYPTOCURRENCY**

- Because the price of cryptocurrencies is subject to wild fluctuations in a very short amount of time, trading in them may be challenging for business people who are trying to make a living off of them.
- Even while the information about those who use cryptocurrencies is recorded in a public ledger, there may still be difficulties in complying with regulations requiring the identification of customers or preventing fraud. This demonstrates that there is no anonymity inside the system.
- Since cryptocurrencies are operated digitally, and the only thing that may serve as evidence of ownership is the private keys, they have become a prominent target for hackers. This is due to the fact that many traditional businesspeople do not understand how to secure this new sort of digital cash.
- Many people believe that using cryptocurrency is bad for the environment. This kind of virtual money is based on a technology known as the blockchain, which needs computers located all over the world to work together to solve difficult equations in order to validate transactions. This process is known as data mining, and it may be quite profitable. Bitcoin is awarded as a reward to the individual who was engaged in the transaction. This kind of computation uses a significant quantity of power, which has a detrimental effect on the earth's natural resources.

## CRYPTOCURRENCY IN INDIA

It has been made very obvious by the position taken by the Indian government, which is that cryptocurrencies will not be granted legal status in India. The problem of monitoring the decentralized transactions in cryptocurrencies are difficult to track, which might be beneficial for hackers, criminals, and even for terrorist operations. This is the root cause of this sort of choice being made by the government. The second justification is that the bitcoin market has the potential to become a significant rival to the financial service business. Due to the fact that the amount of Indian rupees being exchanged in cryptocurrency has been at its greatest since the demonetization, cryptocurrencies such as Bitcoin have gained popularity in India, just as they have in other countries. According to recent studies, the amount of cryptocurrency transactions that are denominated in rupees is the third highest in the world, behind only those denominated in dollars and yen. The policy of demonetization that was implemented in 2016 may have prompted a sizeable portion of the population to begin using cryptocurrencies, but it did not take long before the public became aware of certain facts that have stifled the expansion of the market in the nation. India has a huge population, but its contribution to the total market value of cryptocurrencies barely accounts for two percent of the world's total. Due to the fact that it is a digital means of transaction, it has the potential to be used as a platform by hackers, as well as for the transaction of drugs and for the laundering of money. Because of this, it has a reputation for being less dependable and secure in India. If an investor realizes a profit from their cryptocurrency holdings, such profit may be subject to taxation as either a long-term or short-term capital gain, depending on the circumstances. Recently, the central government of India said that it intends to draught legislation with the purpose of outlawing the use of private cryptocurrencies inside the country. According to Shakti Kant Dass, a former governor of the Reserve Bank of India, "the private cryptocurrency may represent a danger to the macroeconomic and financial stability of the nation." Cryptocurrencies such as Dash, Monero, and others of its ilk are going to be outlawed in India as a result of the Cryptocurrency and Regulation of Official Digital Currency Bill 2021, which aims to outlaw all private cryptocurrencies save for limited circumstances. The most widely used cryptocurrencies, such as Bitcoin, Ethereum, Dogecoin, and Shiba Inu, all include public ledgers, and users may see the details of their transactions. It would seem that the Indian government is okay with the use of these cryptocurrencies. Even if there is no regulation in India that covers cryptocurrencies at the moment, this does not indicate that they are against the law. The Reserve Bank of India (RBI) has sent the Central Bank Digital Currency (CBDC) a proposal for a change to the RBI-1934 act, which would increase the scope of the definition of banknote to include it in digital form. According to the central bank, CBDC has the potential to bring considerable advantages such as less reliance on cash, cheaper transaction costs, and decreased settlement risks. The cryptocurrency and regulation of the official digital currency bill 2021 would almost certainly outlaw all private cryptocurrencies, but it will want to launch its own digital currency at the same time.

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