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# Cryptocurrency: It's Impact on the Indian Economy

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**Abstract:**

*The development of technology today has greatly influenced not only the advancement of humanity but also the economic growth of every nation. India is currently not an exception to the global expansion of the concept of digital currency. Digital currency, alternatively called digital money, is any payment of money made in electronic form. Any money that is transferrable using online systems and that is intangible is digital currency. Examples of digital currencies include cryptocurrency, stablecoins, etc. Cryptocurrency, a revolution of technology, has the power to change the financial environment. During the COVID-19 phase, there has been an uptick in online users, and during this period, investors have learned more about cryptocurrencies. Online traders have begun to invest in cryptocurrency. A study by Statista states that India is about to touch 270 million cryptocurrency users till the end of 2024. Through this prediction, it can be seen that this sector is expanding continuously. This continuous expansion has been fueled by a broad, ecstatic group of developers, entrepreneurs, investors, and users. So, the aim of this study is to explore the effects of cryptocurrency from various perspectives. In this paper, the main emphasis is made on the concept, history, types, and impact of cryptocurrency on the Indian economy and its future in India.*

**Keywords:** Cryptocurrency, History, Types, Impact on Indian Economy and Future in India.

**Introduction:**

Cryptocurrency is a form of electronic money intended to be faster, less expensive, and more dependable than officially issued money. It permits direct money transfers between people without the use of an intermediary, and all parties can afford the transactions. It is very popular among young investors worldwide. Since it offers its investors higher returns than more traditional ones, it is seen as an attractive investment alternative. In a variety of financial transactions, cryptocurrency can be used as a means of exchange instead of traditional money.

Bitcoin was the first cryptocurrency invented in January 2009 by Satoshi Nakamoto. Since then, the prices of not only Bitcoin but also of other cryptocurrencies have rapidly risen. It has been made legal in both developed and developing nations as it gains popularity. From 2019, cryptocurrency began to gain popularity in India as well. Over the past year, its acceptance has reached a new high. The announcement of Demonetization is the primary cause of the high praise for cryptocurrency in India. Investors who have large cash holdings have started searching for new investment options where they can put their money in a variety of ways as a result of the demonetization legislation. In 2020, the Indian Supreme Court overturned the Reserve Bank of India's 2018 announcement that bitcoin trading was prohibited.

**Objectives of the Study:**

The aim of the study is –

- To know the concept of Cryptocurrency.
- To understand the effect of cryptocurrency on the Indian Economy.
- To learn about the state of cryptocurrencies in India today and their opportunities in the future.

**Research Methodology:**

The source of data used for the current paper is secondary. The secondary information has been collected

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from various published resources, such as articles, journals, reports, reference books, and websites. Further, the research is descriptive and exploratory in nature.

### **Cryptocurrency:**

#### **Meaning:**

Cryptocurrency is a decentralized network based on blockchain technology that functions as an alternate method of payment and is digital or virtual currency protected by encryption. Peer-to-peer transactions can now take place without the involvement of middlemen like banks and financial organizations. Furthermore, no central authority issues them. Products are only worth what consumers are willing to pay for them in the market; they have no inherent value. Cryptocurrency transactions only exist as digital entries in an online database; they are not corporeal. All transactions are recorded in a public ledger, and cryptocurrencies are stored in digital wallets.

#### **Features of Cryptocurrency:**

- **Mining:** It is the method by which new coins are produced and transactions are validated before being uploaded to the blockchain.
- **Volatility:** Cryptocurrencies are known for their price volatility, which can result in gains and losses in a short period.
- **Anonymity:** Transactions are linked to a random sequence of characters, not the owners' identities.
- **Irreversibility:** Due to a lack of institutional supervision, transactions once done cannot be reversed. And if any mistakes occur, they can't be rectified.
- **Decentralization:** Since they run on decentralized networks built on blockchain technology, cryptocurrencies are not governed or controlled by a single party.
- **Security and Privacy:** In order to maintain privacy and security in transactions, cryptocurrencies use cryptographic techniques. The currency is stored in virtual wallets, secured with a private key, and only the holder has access to the funds.
- **Blockchain Technology:** It is a shared database that keeps track of every transaction made across a computer network. It guarantees transaction data immutability, security, and transparency.
- **Uses:** People use cryptocurrencies for an investment or to make payment for goods and services.

#### **History of Cryptocurrencies in India:**

- 2008: A paper titled "A Peer-to-Peer Electronic Cash System" was published, through which the journey of cryptocurrency began.
- 2013: The first circular regarding cryptocurrencies was issued by the RBI, which cautioned regarding customer protection and security-related issues.
- 2016 & 2017: Demonetization led to rapid growth of the crypto market in India.
- 2018: Virtual currencies were restrained for payment systems by the RBI. Thereafter, in November a campaign was started by founder of WazirX, Nischal Shetty, "India Wants Crypto," for positive regulation on crypto in India.
- 2020: The prohibition on cryptocurrency was overruled by the Supreme Court.
- 2021: The government announced in January that it will present a measure to ban private cryptocurrencies and establish a sovereign digital currency. The administration concluded in November that cryptocurrency should be regulated rather than declared prohibited.
- 2022: Union Finance Minister Nirmala Sitharaman in the annual budget imposed a 30% tax on cryptocurrency investments.

#### **Types of Cryptocurrencies:**

- **BITCOIN (BTC):** It is the first and widely used cryptocurrency in the world. It was presented under the name Satoshi Nakamoto by a group of people in 2009. It functions as a great means of trading and store of value. Alternate name for Bitcoin is "digital gold."
- **ETHEREUM (ETH):** In terms of market cap, it is the second largest globally used cryptocurrency. It introduced smart contract-based decentralized apps. The biggest NFT marketplace in the blockchain industry, OpenSea, is also housed there.
- **RIPPLE (XRP):** It is both a technology platform and a cryptocurrency designed to facilitate fast and low-cost international payments. It was developed by web developer Ryan Fugger in 2012.
- **LITECOIN (LTC):** With truly no costs, Litecoin is a peer-to-peer decentralized digital money that can be used for rapid international transactions. One of the most popular and dependable cryptocurrencies in terms of transaction volumes and liquidity is Litecoin, which is frequently used as a medium of exchange.
- **DOGECOIN (DOGE):** The trending cryptocurrency Dogecoin is built on the same technology as Litecoin. It is the most affordable cryptocurrency with dedicated supporters who use it for trading and purchasing social media material. It offers its users a low price and an unending supply.
- **TETHER (USDT):** The price volatility of Tether's tokens is reduced by coupling them to fiat currencies like the US Dollar. Tether is a fairly well-known stable coin. Additionally, Tether also publishes tokens backed by the Euro, the Chinese Yuan, and gold.

- **WAZIRX:** The India's largest crypto exchange WazirX is a part of Binance group. It has more than 6 million registered users and has a monthly trade volume of over \$5.4 billion. If you don't have direct currency pair exchange, you can use WazirX's utility token as a middleman.
- **UNISWAP (UNI):** It is a cryptocurrency exchange platform that allows traders to exchange crypto assets with each other. It uses smart contracts, which function as an automated market maker. This platform facilitates the exchange of all digital tokens approved by ERC-20.

#### **Impact of Cryptocurrency on Indian Economy:**

The introduction of cryptocurrency has certainly impacted various economies in the world. But in India it has not gained legal status yet because it is hard to track down decentralized transactions in cryptocurrencies, there is a risk of covert activities like fraud and hacking. Second, the banking services sector may face competition from the bitcoin market. Therefore, its effect on the Indian economy can be seen from both a positive and negative perspective, which are mentioned as below:

#### **Positive Impact of Cryptocurrency:**

- **Job Opportunities:** About 50,000 people are currently employed in the cryptocurrency sector. According to research, the industry is expected to generate over 8,000 new jobs by 2030. IT workers and Fintech professionals are already in abundance in India. Additionally, the skill is offered at reasonable prices. We can anticipate India becoming a significant worldwide center and destination for the cryptocurrency market as the demand for digital currencies continues to grow. In the BFSI, IT, customer support and service, as well as many other areas, this will contribute to the variety of job prospects. At present, the bitcoin industry is contributing to the increasing rate of employment.
- **Enhance Digital Payments:** Cryptocurrency transactions can greatly enhance digital payments because they are both time- and cost-effective as they are carried out directly between the encoder and decoder without the use of a third party, making them instantaneous. Additionally, because transaction fees imposed by middlemen like banks and payment gateways are eliminated, the cost of each transaction is reduced.
- **Boost to the Fin Tech sector:** As previously mentioned, India already has a large pool of IT professionals, and the combination of the financial and IT sectors will open up a world of business opportunities and foreign cash inflows. In addition, as the government introduces strict regulatory measures and drafts laws for an official digital currency, it will draw significant foreign investment, which will significantly boost the Fin Tech sector and advance the Indian economy.
- **Global economies:** Indians, especially the expanding younger age, have a fantastic potential to compete in the global market due to cryptocurrency. A free economy is one that is fueled by cryptocurrency. The time and money spent on discussions will no longer be necessary when purchasing anything like a house or another large item because there is plenty of time and money to obtain third-party approvals. By considering some of the pioneering and revolutionary movements of the past, such the growth of the internet, the technological economy, Silicon Valley, etc., India has recently made an effort to keep up with the rapid speed of global advancements.

#### **Negative Impact of Cryptocurrency:**

- **Unregulated Markets:** Regardless of government holidays, cryptocurrency trading is active around every minute of the day. The fundamental benefit of cryptocurrency is that it can be traded online and is not regulated by any governmental entities. It can also be viewed as a disadvantage, too. Transactions using cryptocurrencies are inevitable because no central bank or other financial institution controls the trading process. No government entities or bodies have any power over the pricing of cryptocurrencies. The primary factor influencing the price of a cryptocurrency is how associate investors are valuing it. Other investors may occasionally be put off from investing in it by this pricing method.
- **Legal Issues:** Trading in cryptocurrencies is not regulated by any governmental entities and is not subject to any laws. As a result, it is getting harder to stop illegal cryptocurrency-related activity. Deregulation of cryptocurrencies will aid criminals in turning illicit funds into legal ones. The manipulation of cryptocurrency prices also involves this type of money laundering. In the end, average investors suffer an enormous loss. As a result, the trade of cryptocurrencies has already been made illegal in numerous nations.
- **Cyber Attacks:** Anything digital can always be the target of a cyberattack. But cybercriminals are attracted by cryptocurrencies like Bitcoin, Ethereum, etc. In the event of a cyberattack, it becomes extremely difficult to recover lost assets without a regulatory body, which could force you to forfeit both the invested money and your personal data.
- **Unsuitable for the Indian banking system:** Regulators at the Reserve Bank of India believe that this will negatively impact the Indian banking system since individuals may choose to invest their hard-earned money in these currencies due to their allure, which could reduce the amount of money banks have available for lending. Additionally, the government cautioned that the public would eventually lose their hard-earned funds if the cryptocurrency market crashed.

#### **Future of Crypto Currency in the Indian Economy:**

Compared to other currencies, crypto currencies have a larger market. The many currencies issued by governments throughout the world are under stiff competition from cryptocurrencies, which are rapidly evolving into

true money. The current increase in Bitcoin's price could indicate a bright future. It is also referred to as "digital money" in payment systems, much like how points in arbitrary stores are referred to as "digital money" because they may be used to make purchases instead of actual currency. It is true that cryptocurrencies are decentralized. It will have a lot of room to expand in the future. However, none of the control or power systems will significantly profit from this new digital currency. The problems that need to be addressed in order to integrate cryptocurrencies into daily life are difficult to predict when it comes to management.

In the future, it might become a standard currency, making it unnecessary to maintain separate currencies for every nation. Despite being difficult to govern, anyone can use this digital money to avoid global exchange rates. The "one world, one currency" principle is at the core of it. In the end, centralized banks have come to the conclusion that cryptocurrencies will be there for a very long time. The market determines the value of digital currencies, according to a number of experts and studies. The future impact of cryptocurrencies still has to be thoroughly studied.

Litecoin (LTC), Ether (ETH), and Bitcoin (BTC) are a few popular cryptocurrencies. In terms of market capitalization, Ether is second among cryptocurrencies. Litecoin takes about 2.5 minutes each block, compared to 10 minutes for Bitcoin. As a result, users trade Litecoin at a faster pace.

Bitcoin has been available in India since 2012. There are already eleven trading platforms and over a million Bitcoin users in India. Bitcoin transactions in India are also governed by the RBI. Using cryptocurrency to pay for goods and services is prohibited in India. During the 2018 Union Budget, the Indian government declared that cryptocurrencies are no longer accepted as legal money (Singh & Singh, 2018). There is no protection for those who trade, use, or even deal in them. When questioned by the media, the then Finance Minister Arun Jaitley stated that the government was aware of how frequently cryptocurrencies are used for terrorism, money laundering, and other illicit acts.

The Indian government has also urged users of such currencies to exercise extreme caution because there is no legal safeguard for investors. In the event that fraud occurs, the government cannot offer assistance. Additionally, the government creates an expert group to assess the risk involved. It will determine how the cryptocurrency operates before publishing the report. While some countries have already decided to support cryptocurrencies, others have not.

#### **Conclusion:**

The Cryptocurrency market has the potential to revolutionize technology in India, so the Indian government should take a stand. Gains on bitcoin are also subject to a significant amount of direct taxes, which support the IT Department and contribute to a more robust economy overall. Instead of imposing a total prohibition, the Indian government should look forward to regulating it. Transparency, safety, and dependability must be improved. To invest more in cryptocurrencies, especially in India, which has the second-largest population, citizens should be better knowledgeable about how they work generally. To build a more secure and user-friendly system, laws pertaining to cryptocurrencies must be developed while taking into consideration a number of legal and financial factors. Cryptocurrency offers a bright future that is encouraging for e-investments and e-business.

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