

An Exhaustive Study on Cryptocurrency in India

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Abstract: This study explores the overview of Cryptocurrency, delving into its origin, historical progression, and a comparative study of conventional currencies versus digital currencies. It elucidates the diverse landscape of cryptocurrency, and examining various types evolving digital financial ecosystem. This narrative traversed the imperative functions performed by exchanges and brokers within the intricate cryptocurrency ecosystem, enlightening the varied spectrum of cryptocurrencies that have emerged. It provides the comprehensive study of cryptocurrency within the Indian scenario, analyzing its evolving role and impact on the national economy. The benefits and drawbacks of cryptocurrency are scrutinized with precision, considering factors such as security, decentralization, and financial inclusion. This study highlights the ever-changing progression of cryptocurrency, spanning its inception and unique imprint and unraveling the intricate role cryptocurrency plays in shaping both the worldwide and Indian economic landscape.

Keywords: Currencies, Digital, Cryptocurrency, Economy, Security

I. INTRODUCTION

Cryptocurrency is a virtual currency, operating on a decentralized blockchain network. It facilitates secure, peer-to-peer transactions, eliminating the necessity for intermediaries like banks. Every cryptocurrency is logged on a public ledger, ensuring openness and mitigating the risk of double-spending. It is designed to work as a medium of exchange using cryptography. While cryptocurrencies hold the promise of fostering financial inclusivity, they concurrently grapple with challenges such as regulatory ambiguities.

Cryptocurrencies are digital tokens, representing a form of online currency, unlike traditional national currencies, cryptocurrencies lack legislated or intrinsic value and derive their worth solely from market demand. In contrast to legal tender, these digital assets rely on the willingness of individuals to pay for them, emphasizing the decentralized and market-driven nature of their valuation.

Cryptocurrency is the dynamic realm, in the present economy which uses the web technology and finance that defines the future of monetary exchange. Policy makers consistently evaluate the value of cryptocurrency for changing the Tax Deducted at Sources (TDS) according to the current price level for the benefits of the economy.

HISTORY:

The evolution of cryptocurrency in India, started with the publication of a paper titled "Bitcoin: A Peer-to-Peer Electronic Cash System" in 2008 by a pseudonymous developer Satoshi Nakamoto. After a span of Two years, the inaugural transaction involving the exchange of 10,000 Bitcoin for two pizzas marked the first-ever sale using Bitcoin. This attached a cash value to cryptocurrencies for the first time.

In 2013, the Reserve Bank of India (RBI) issued its initial circular addressing cryptocurrencies. The RBI warned about the potential risks associated with engaging in transactions involving virtual currencies. This circular marked a crucial early step in the regulatory discourse surrounding digital currencies in India.

Demonetization process gave an unintended boost to crypto investment, driving tech-savvy customers to the virtual asset. In March 2020 Supreme Court strikes down the Crypto Banking ban. However, the battle for cryptocurrencies in India was not over yet. On January 29, 2021, the Indian Government announced that it will introduce a bill to create a sovereign digital currency. The committee was formed and still in the process of regulation of cryptocurrency.

TRADITIONAL VS DIGITAL CURRENCY

| S.no | Particulars | Traditional Currency | Digital Currency |
|------|-------------------|---|--|
| 1 | Form | It is in the form of coins and banknotes | It is stored in the digital wallet |
| 2 | Proceedings Speed | It takes time especially in cross-border transfers | Transactions are faster, as within their network |
| 3 | Reliability | Physical cash can be lost or stolen | Cryptographic security is used |
| 4 | Governance | Subject to Government regulations and monetary policies | No particular act to regulate the digital currency |
| 5 | Inflation | Susceptible to inflation influenced by economic factor. | Digital currency reduces the inflation concern. |

TYPES OF CRYPTOCURRENCY

There are different types of Cryptocurrency that are available in India. Some of them are:

- 1) **Bitcoin (BTC)**- It is also known as digital gold. The pioneer and most recognized cryptocurrency, established as a decentralized digital currency utilizing blockchain technology. It aims to improve scalability and transaction speed by increasing block size.
- 2) **Ethereum (ETH)**- A decentralized platform enabling the development of smart contracts and decentralized applications through its native cryptocurrency, Ether. The smart contracts

allow participants to transact with each other without a trusted central authority.

3) **Ripple (XRP)**- Engineered for swift, cost-effective international money transfers, ripple functions both as a digital payment and cryptocurrency. It mirrors the functionality of the SWIFT system employed by banks and financial intermediaries for international money.

4) **Tether (USDT)**- USDT operates as a stablecoin, mirroring the value fluctuations of the U.S. Dollar and supported by Tether's reserves in dollars. Tether, created by iFinex, the Hong kong registered company that oversees the cryptocurrency.

5) **USD Coin**- Envisioned as everyday money that can be spent with merchants on the internet. This stable coin is widely used for trading, decentralized finance applications, and as a stable unit of account.

6) **Litecoin**- Debuting as the "silver to Bitcoin's gold," Litecoin boasts quicker transaction confirmation times and a distinct hashing algorithm. It is designed to seamlessly transfer funds between people at low transaction cost.

7) **Solana (SOL)**- Solana is a platform prioritizing rapid and cost-effective transactions. The SOL token serves multiple functions within the solana ecosystem, including facilitating network operations, participating in governance, and supporting staking initiatives.

EXCHANGES AND BROKERS FOR CRYPTOCURRENCIES IN INDIA

The exchanges that are available for the purchase of cryptocurrency in India are:

1) **Coin DCX**- This is a prominent cryptocurrency exchange, offering a diverse range of digital assets for investment and trading.

2) **Wazin X**- This offers a variety of cryptocurrencies including user friendly interface.

3) **Unocoin**- Unocoin facilitates buying, selling and systematic investment plans (SIPs) for users in India.

4) **Zebpay**- One of the oldest exchanges in India, it provides a secure platform for buying, selling and trading various cryptocurrencies.

5) **Coin Switch Kuber**- It is known for its simplicity, allows users to buy, sell, and trade a cryptocurrency.

CRYPTOCURRENCY IN INDIAN SCENARIO

The Indian Government has shown an oscillating stance on cryptocurrency regulation. There have been discussions about introducing a Central Bank Digital Currency (CBDC) in India. Cryptocurrency exchanges operate in the country, that allow the users to trade any kind of virtual assets.

Regulatory ambiguity has sparked apprehension and caution among the Indian crypto community. The Reserve Bank of India (RBI), previously imposed banking restrictions on crypto transactions, later over tuned by the Supreme court.

India has experienced a rising interest in blockchain technology beyond just cryptocurrencies, with numerous projects and applications emerging.

There are indications from the government about the intention to create a comprehensive regulatory framework for digital currencies. Investments in virtual currencies are subject to taxation, and guidelines have been issued to ensure

adherence. This taxation framework is part of the broader effort to bring clarity and accountability to the evolving cryptocurrency landscape in the country.

The cryptocurrency in India unfolds through a fluid interaction of regulatory changes, technological progress and market forces. The ongoing evolution of cryptocurrency regulations in India plays a pivotal role in molding the environment for the acceptance and utilization of digital assets.

HOW IS CRYPTOCURRENCY TAXED IN INDIA?

Cryptocurrencies are classified as the virtual assets, fall under the tax purview in India. Below outlines the taxation framework for these assets:

- Profits derived from cryptocurrency trading are liable to a 30% tax rate, augmented by a 4% cess, in accordance with section 115BBH.
- Additionally, any transfer of crypto assets on or after July1, 2022, involving sums of Rs.50,000 or Rs.10,000 under certain circumstances is subject to a 1% Tax Deducted at Source (TDS) as outlined in section 194S.
- The annual transfer of crypto assets by investors, whether individuals or businesses, is subject to cryptocurrency taxation and it also includes the transfer of crypto assets during the year.
- The earnings from trading, selling, or exchanging cryptocurrencies are taxed at 30% along with 4% surcharge for both business income and capital gain.
- India ranks first in the adoption of cryptocurrency despite of the regulatory setbacks.

BENEFITS OF CRYPTOCURRENCY

Security: Cryptocurrencies provides enhanced security through cryptographic techniques, decentralization and reducing risks associated with fraud and unauthorized access.

Economic Inclusion: Cryptocurrency fosters economic inclusion by providing financial services to individuals without access to traditional banking.

Power and Control: They have control over their funds as they hold private keys to access the cryptocurrencies.

Reduced Transaction Cost: Cryptocurrency facilitates reduced transaction costs by eliminating intermediaries, minimizing fees associated with traditional financial systems.

Inflation Hedge: Cryptocurrency presents a hedge against inflation, safeguarding wealth as traditional currencies depreciate.

LIMITATIONS OF CRYPTOCURRENCY

Price Oscillation: The instability can deter mainstream adoption and hinder cryptocurrencies stability as a reliable store of value.

Lack of Regulation: The absence of comprehensive regulation in the cryptocurrency space rises concerns about investor protection, market integrity, and potential illicit activities.

Peril to Safety: Cryptocurrency exposes users to safety risks, including potential security breaches, hacking, and fraudulent schemes, jeopardizing financial assets.

Lack of Consumer Protection: Cryptocurrency transactions are often unalterable, and there is limited recourse for users in the case of accidental transaction or fraud.

CONCLUSION

The revolutionary influence of Cryptocurrencies on finance, highlighting their capacity for innovation and broadening financial access. Cryptocurrencies exist at the crossroads of potential and intricacy, actively sculpting the forthcoming landscape of finance. As India holds

cryptocurrency prospects as country explores the potential of digital assets. Decentralized finance applications could continue to grow, providing more advancement in cryptocurrencies without any intermediaries.

The future of money is Cryptocurrency