



# Crypto-Currency in India: PRESENT AND ITS FUTURE

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## Abstract

Without a question, we are living in an era of information and communication technology, which has given rise to numerous opportunities. One of the most significant sectors to profit from this technology is the financial and business sector. A vast number of internet users have activated virtual world notions, resulting in the emergence of new commercial phenomena, such as transactions and currencies. Crypto-currency has developed as one of the most important financial forms in recent years. It has gotten a lot of attention in recent years. Crypto-currency is governed by non-governmental organisations and is decentralised. Because of its decentralised nature, it challenges centralised digital currencies and central financial systems. It transforms the digital trade market by introducing a free-flow trading system that operates without the involvement of a third party. In recent years, the use of virtual money or currency has become more prevalent.

The goals of this paper are to gain a better understanding of the global crypto industry, as well as the government's stance on crypto-currencies and their legality in India.

Keywords – Information, Technology, Transactions, Crypto-Currency and Legalization

## INTRODUCTION

Crypto-currency is a hybrid of crypto-currency and currency. Crypto- is an abbreviation for "cryptography," a computer technique used for security, concealing information, and establishing identities. Currency simply

means "money that is commonly used." It is a digital type of currency that is intended to be quicker, more reliable, and less expensive than our government-issued money or legal tender.

Real estate, gold, bank savings, and stocks have been the only assets available for decades. A new investing asset class has caught everyone's attention in recent years: crypto-currencies. This new type of asset has been providing strong returns to its investors, and it promises to destabilise the dominant tech environment, so everyone wants a piece of the action. The overall value of the global crypto market has surpassed \$ 2.12 trillion, with daily worldwide trading volume exceeding \$100 billion. However, before you decide to go in, you need have a deeper understanding of this investing option. In the bitcoin sector, India has been extremely active. According to numerous studies, India has the biggest number of crypto-currency owners and the second highest adoption rate. With over 15 million retail investors, more than 60% of Indian states are becoming CryptoTech adopters.

Furthermore, the country has a significant institutional presence, with almost 230 start-ups in this field, offering lots of development potential and chances. Even from a global perspective, the Indian IT industry is teeming with eager entrepreneurs and a top-tier talent pool. India is well positioned to be a worldwide leader in this field if the ecosystem continues to expand in the same way as in recent years. While this appears to be a simple operation, blockchain allows us to perform both without the need for a trusted third party. This implies there is no central bank creating crypto-currencies or protecting your transactions; everything takes place on a digital ledger! To acquire traction and acceptability, institutions and authorities must work together to educate the general public about the benefits crypto-currency may provide. Many institutions, thankfully, have already taken on this challenge and are making significant progress.

Whether you believe in technology or not, it has become a worldwide phenomenon in the previous decade. Let's look at how crypto-currencies have influenced the Indian economy and what the future holds for them.

### **Objectives of the study**

1. To study the global landscape of crypto market.
2. To study the government's stance on crypto-currencies and its legalization in India.
3. To study the future of crypto-currency in India.

### **LITERATURE REVIEW**

Satoshi Nakamoto created the first crypto-currency, Bitcoin, in 2009. Bitcoin was not controlled by any government or organisation, and there was no third party engaged; it was open source and based on peer-to-peer transactions. Block chain was utilised to create this crypto currency.

Many attempts to generate digital money were made in the nineteenth century, all of which failed. Satoshi attempted to develop a decentralised digital currency system after witnessing all of the failures. File sharing through a network, similar to peer to peer (Mukhopadhyay, Skjellum, Hambolu, Oakley, Yu, & Brooks, 2016).

In their study titled Review on Strategies for Growing E-Commerce in India, **Singh Aarti and Nidhi Chawla (2016)** predicted that emerging new technologies, awareness of new technology and frauds, reduced search and transaction costs, reduced lead-time and faster time to market, increased customer service, improved convenience and shopping experience, increased information transparency, knowledge generation, and novel products and services will be the trends that will be followed.

Dr. Alka Mittal's paper, "An analytical examination of the current status of bitcoins," focuses on merchants and traders that accept bitcoin as a medium of exchange to overcome the digital currency's volatility problem. This will promote the Bitcoin market not just in India, but also in other emerging markets. This stresses the need of Bitcoin adapting to the essential technological and operational advances in order to stay in the system. Furthermore, the government should establish a suitable legal framework to safeguard consumers and users of digital currencies, given the huge growth in transactions in this currency over the last several months.

A study focuses on the introduction of crypto-currency and its current consequences in her paper "Crypto-currency: Evolution, Impacts, and Future in India." The paper outlines both the good and bad aspects of virtual money and forecasts the future of crypto currency in India. Individuals are encouraged to produce profits and increase their assets as a result of this focus. In India, the legal status of crypto money is neither recognised nor rejected. **(Sharma, 2018)**

Smalley discusses the workings of Crypto money and the process of transacting the currency with the miners, traders, and investors involved in his essay Crypto currency and taxation. It further states that while dealing with crypto currency is a taxable event, transferring cash to virtual currency is considered money laundering. The IRS notice concerning the proposals for amending the guidelines for requirements and their tax treatments was also included in the article. **(C.V, 2017)**

Xin Li and Chong Alex Wang (2017) discuss one particular crypto currency, Bitcoin, in their article titled "The technical and economic drivers of crypto currency exchange rates: The case of Bitcoin." The research discusses Bitcoin exchange rates versus the US dollar, as well as its technical and economic considerations. It also determined that bitcoin exchange rates have adjusted to economic fundamentals and market conditions, as well as the important influence of mining technology and difficulty in determining Bitcoin exchange prices. **(li, 2017)**

In their study "Sex, Drugs, and Bitcoin: How Much Criminal Conduct Is Financed through Cryptocurrencies?" Foley, Sean, Karlsen, Jonathan R., and PutnisTalis J (2018) indicate that around one-quarter of bitcoin users and half of bitcoin transactions are involved with illegal activity. Bitcoin is involved in over \$72 billion in criminal activities each year, which is comparable to the size of the illegal drug markets in the United States and Europe. With popular interest in bitcoin and the introduction of more opaque cryptocurrencies, the unlawful percentage of bitcoin activity is decreasing. The approaches presented in this research can be used to monitor bitcoin transactions. Crypto-currencies, according to our results, are altering the way illegal marketplaces function by enabling "black e-commerce." **(Foley, Sean, Karlsen, R., & Putniņš, (January 15, 2018).)**

Bitcoin is a creative and technologically advanced solution to an unpredictable, globalised future. This might be a realistic option for transferring funds across geographical borders. Bitcoins, if properly controlled, have the potential to assist future generations in meeting the obstacles associated with financial transactions in different forms. **(Rahman & Dawood, 2019)**

A crucial element from India's standpoint is the introduction of virtual money. This raises the question of why can't India regulate these currencies in the same way that other countries do by amending taxation laws, the Foreign Exchange Management Act (FEMA), and appointing a regulatory authority like the Reserve Bank of India (RBI) or the Securities and Exchange Board of India (SEBI) to oversee the business, as the introduction of the digital rupee does not guarantee that there will be no frauds or money laundering. The future of crypto money is entirely in the hands of legislators, who will decide whether or not to outlaw it. Apart from that, the adoption of a digital rupee or the regularisations of the industry are two options for the future. This is critical in order for investors and customers to see it as a realistic option. **(Ayeswarya & Varghese, 2021)**

## **GLOBAL LANDSCAPE OF CRYPTO MARKET**

As of March 18th, 2018, there are 1564 Crypto-currencies accessible and traded on about 9422 exchanges. The total market capitalization of crypto-currencies is \$275,797,435,861, or \$275 billion. & the 24-hour volume was \$ 18,207,953,654, or \$18 billion.

Bitcoin has the most market domination in the crypto-currency industry, accounting for around 45 percent of the market and having a market valuation of \$142.2 billion (Rs 9.25 Trillion). Its current market value is \$ 8254.8, or Rs 5,35,767.

Other cryptocurrencies, except bitcoins, are collectively known to as altcoins, and they include the other 1550 currencies that are exchanged. Some of them are mentioned in the table in a sideways manner:

NAME	PRICE	MARKET CAP
Bitcoin	\$8254.8	\$ 142.2 B
Ethereum	\$ 528.33	\$ 52.97 B
Ripple	\$ 0.65492	\$ 25.92 B
Litecoin	\$ 151.22	\$ 8.52 B
Monero	\$ 208.7	\$ 78.16 M
Neo	\$ 58.98	\$ 260.1 M

The worldwide crypto-currency industry is predicted to increase at a compound annual growth rate (CAGR) of 12.9 percent from \$1.44 billion in 2020 to \$1.63 billion in 2021. At a CAGR of 13.8 percent, the market is estimated to reach \$2.73 billion in 2025. Advanced Micro Devices Inc., BitFury Group Limited, BTL Group Ltd., Coincheck Inc., Intel Corporation, Ledger SAS, Nvidia Corporation, Ripple, Xilinx Inc., Xapo, BitGo, Binance, Coinbase Global Inc., CoinDesk, and Bitmain Technologies Ltd. are major companies in the

crypto-currency sector. The crypto-currency market consists of the selling of digital or virtual currencies by firms (organisations, sole proprietorships, and partnerships) that operate independently of a central bank and use encryption techniques to manage unit formation and payment transmission. Bitcoin, ethereum, bitcoin cash, ripple, dash coin, litecoin, and other crypto-currencies are the most common. Bitcoin is a digital currency that allows for quick payments using peer-to-peer technology. The many processes include mining, transactions, and products like as hardware and software. Crypto-currencies are employed in a variety of industries, including trade, retail and e-commerce, banking, and others. Stable currencies are gaining traction in the crypto-currency industry. To lessen crypto-currency volatility, stable coins are crypto-currencies that are connected to a tangible item, such as government-issued cash or a commodity. For example, the circulation amount of stable coins grew by 500% in 2020. In addition, Techemynt, an India-based financial services business, announced stable coins backed by the New Zealand dollar in March 2021, combining the freedom of crypto-currencies with the stability of the New Zealand dollar.

Curv was bought for an unknown sum by PayPal Holdings Inc, a US-based financial technology business, in March 2021. PayPal Holdings, Inc enhances and expands its attempts to support crypto-currencies and digital assets with this purchase. Curv is a crypto-currency security firm established in Israel. Transparency in financial transactions is projected to fuel the expansion of the crypto-currency business in the coming years. Digital currencies are developed with blockchain technology, which allows numerous entities to preserve copies of historical transactions, implying that they are not controlled by a single central source. With this transaction, PayPal Holdings, Inc improves and expands its activities to promote crypto-currencies and digital assets. Curv is a bitcoin security business established in Israel. Transparency in financial payments is predicted to drive the expansion of the crypto-currency business in the future years. Digital currencies are developed utilising blockchain technology, which allows numerous entities to preserve copies of prior transactions, implying that they are not controlled by a single central source.

## **GOVERNMENT'S STANCE ON CRYPTO-CURRENCIES AND ITS LEGALIZATION IN INDIA**

The suggestion by Finance Minister Nirmala Sitharaman to tax virtual assets has generated a discussion in India about the legality of cryptocurrencies. While many have applauded the government's move to tax digital currencies, believing it is the first step toward recognising virtual currencies, the administration has yet to clarify whether currencies such as Bitcoin may be recognised legal tender in India.

- Sitharaman stated during a post-budget news conference that consultations on crypto regulation are continuing, adding that what is legal and what is not would be obvious once the regulatory framework is finished.
- Cryptocurrencies such as Bitcoin and Ethereum, on the other hand, will never become legal cash, according to Finance Secretary TV Somanathan.

- The finance minister has also recommended that the RBI create a Digital Rupee starting in 2022-23, based on blockchain and other technology.
- According to Somanathan, the digital rupee would be guaranteed by the Reserve Bank of India, which will never default. *"The money will be issued by the RBI, but the essence of the money will be digital. The legal tender will be the RBI-issued digital rupee. We may use the digital rupee to buy non-digital assets like as ice cream or other items using our wallet or through the UPI network."* *"The others are not legal tender, will not become legal tender, and will never become legal tender. Bitcoin, Ethereum, or any other image of an actor becoming a non-fiduciary token (NFT) would never become legal tender"* During an interview with ANI, he stated.
- Somanathan said, "Crypto assets are assets whose value is determined between two individuals; you may buy gold, diamonds, and crypto assets, but their value will not be governed by the government."
- People who invest in private cryptocurrency should be aware that it is not backed by the government. The finance secretary noted that there is no assurance that your investments will be profitable or not, that you will lose money, and that the government is not responsible for this.
- The Finance Secretary, on the other hand, underlined that just because something isn't lawful doesn't imply it's criminal. "I'm not suggesting Bitcoin or Ethereum are unlawful, but neither are they. However, I believe that if bitcoin is regulated, it will cease to be legal money" Somanathan stated.
- When asked about crypto regulation, the finance secretary said the government may seek KYC and a seller's licence, but that decision would be made later after extensive engagement with stakeholders. He said that the administration will keep an eye on what is going on in other nations.
- According to Somanathan, the digital rupee would not be similar to Bitcoin or Ethereum. "You conduct transactions with digital rupee in the same way that you do now with digital wallets such as Paytm and UPI. The digital rupee is legal money and may be used to make payments in the same way that we do with cash" he stated

The finance minister noted in her budget statement on Tuesday that there has been a tremendous surge in transactions in virtual digital assets, and that the scale and frequency of these transactions have necessitated the creation of a separate tax framework. "As a result, for the taxation of virtual digital assets, I propose that any income derived from the transfer of any virtual digital asset be taxed at a rate of 30%," she said.

Except for the cost of purchase, the finance minister said that no deduction in respect of any expenditure or allowance should be permitted for computing such income. Furthermore, any loss incurred as a result of the transfer of virtual digital assets cannot be offset against any other source of income. According to her, a gift of a virtual digital asset is likewise suggested to be taxed in the recipient's hands.

- The tax on digital assets was clarified today by the Finance Secretary. He stated that the government now lacks clarification on whether bitcoin is considered commercial revenue, capital gain, or speculative income.
- "Some people register their crypto-currency holdings, while others do not. From April 1, 2022, a standard rate of 30% tax would be applied to the transfer of digital assets "Assets," he explained.

- "This is true for any speculative income, not just crypto. For example, if I participate in horse racing, I will be subject to a 30% tax. Any speculative transaction is already subject to a 30% tax. As a result, we've chosen to tax crypto at the same rate as cash. Because crypto-currency is a speculative transaction, it is subject to a 30% tax "Somanathan expressed his dissatisfaction with the current rate.

## **FUTURE OF CRYPTO-CURRENCY IN INDIA**

In India, crypto-currency is slowly but steadily gaining traction. Millennials from tier 2 and tier 3 cities are embracing crypto-currency. Women's engagement in crypto trading has increased by over 1000 percent in recent years, despite the fact that men have dominated this field. 66 percent of all users are under the age of 35, indicating that crypto adoption is stronger among the country's youth. Due to suspicion of banks and financial institutions, the thrill of volatility, and the availability of digital technologies and digital sources of information, Gen Z and millennials are large investors in this field and will continue to be. P2P platforms have helped the tech-savvy youth embrace crypto-currency. Crypto-currency's growing general acceptability will help it reach more specialised areas of the population in the future. (Moodalagiri, 2022)

People all across the world began investing and trading in crypto-currencies as it got more popular. The same phenomenon is happening in India, especially in the years 2020-2021. The RBI has enacted a number of rules. In India, crypto-currencies were prohibited, but trade resumed over time. They are currently neither recognised by the government as legal money nor controlled by the RBI. There are no restrictions prohibiting crypto-currency trading. In that way, Bitcoin is similar to traditional assets such as gold and commodities.

According to the poll, 95.20 percent of all respondents believe that crypto-currencies would exist in India even after a decade. While the remaining 4.80% of respondents believe that crypto-currencies will cease to exist in the future due to potential government regulations. However, with so many individuals investing in crypto-currencies, there is a potential that crypto may continue to exist in the future, despite government laws.

Crypto-currencies are here to stay, according to experts from all across the world. According to experts, the only way to give crypto-currency value is to issue actual money instead of it. Experts discuss the dangers of trading crypto-currency because there is no regulation prohibiting fraud in these sorts of digital currencies, and cyber crime may be a major disadvantage because everything is done online. According to specialists and several study papers, a clone of crypto-currency may be generated and a bogus transaction performed, making trading dangerous. There is still a lot of research to be done on this, and a healthy outcome will emerge that will provide us a quick overview of the use of crypto-currency, its benefits and drawbacks, and why it may be used to replace actual money in the market.

## **CONCLUSION**

Despite the fact that rules are still unclear, the government has showed signals of realising the potential of crypto-currencies. Crypto appears to be the way of the future. To acquire traction and acceptability, institutions

and authorities must work together to educate the general public about the benefits crypto-currency may provide. Many institutions, thankfully, have already taken on this challenge and are making significant progress.

In an unpredictable, globalised future, crypto promises a creative and technologically advanced alternative. This might be a potential option for cross-border payment processing. If crypto is properly regulated, it has the potential to assist future generations in addressing concerns relating to many sorts of financial transactions.

Despite its many disadvantages and risks, this crypto-currency has the potential to dramatically revolutionise the existing economic scenario in India and elsewhere. We can use these crypto-currencies in cross-border financial transfers at low cost and in less time without relying on intermediaries such as banks and financial institutions. We can also use them to remit wages and salaries to our human resources if we want to use them in our A to Z business operations. However, we can use this technology in various ecosystems across the world. In addition to the possibility of cross-chain blockchain unification, it allows for the simultaneous integration of all financial processes with multiple crypto-currencies.

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