

A STUDY ON IMPACT OF CRYPTO CURRENCY ON INDIAN ECONOMY

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ABSTRACT

Crypto currency is a new concept of decentralized virtual currency. It has turned out to be a new alternative of investment instrument in India similar to gold. Even though the government hasn't formulated any regulatory body or legislation with regards to crypto currency trading and transaction in India, the government restricts the buy and sell of crypto currencies like bitcoin, litcoin, etc. A crypto currency raises several limitations on its presence in Indian markets. This study emphasis on understanding what crypto currency is all about and its effect on the Indian economy. The study also focuses on the present situation and future prospects of crypto currencies in India.

Keywords: Crypto currency, Block chain technology, impact on Indian Economy.

INTRODUCTION

Over in the recent historical crypto currency has been a subject of discussion amongst the public at large. In the world of technological advancements, crypto currency is becoming easier for investors who values privacy and making of money. In these days crypto currencies like Bitcoin, ethereum, Ripple, Litcoin, etc. are trending in the financial market as persons are showing interest in buying crypto currencies. On the other hand there is a bigger population at a confused state of mind with regards to the overall performance of crypto currency. Bitcoin was the first decentralized crypto currency formed in the year 2009.

Crypto currency doesn't form any physical form as it is entirely a digital value in the web. These currencies can be used as cash same for transactions and other business. Crypto currency doesn't rely on the financial institutional rules but are encrypted and protected which makes it tough to increase the supply of money over a predefined algorithm rate. Crypto currency charges fee at a minimum rate which are comparatively smaller than the fee collected by a financial institution for the processing of a credit card. Crypto currency can be reformed over into different types of money and kept into client's records at a faster pace.

OBJECTIVES

The objectives of this study are as follows:

- To learn the impact of crypto currency on Indian economy.
- To study the current status of crypto currency in India and the future it holds.

REVIEW OF LITERATURE

Kurihara & Fukushima, 2017 clarified, it is not digital cash, which has persuaded all over the world. Not like central bank- and government-issued currency, Bitcoin can be inflated at will, the supply of Bitcoin is limited to a certain volume, which cannot be changed.

Wonglimpiyarat, 2016 highlights that there are obstacles of lawless tender where Bitcoin wants the government's legislation to boost the acceptability of this new currency. Bitcoin currency may change the future of banking in developing countries but it is hard to alternative a cash-based society.

TERMINOLOGIES USED

Crypto currency: It is digital money. It is considered to be more secure than the real money.

Cryptography: It is a method of converting comprehensible data into complicated codes which are tough to crack.

Block Chain – A Block Chain is a collection of linked Blocks from the most current one to the Genesis Block.

DISCUSSION

Crypto currency in India

The effect of crypto currencies on the Indian economy are clearly represented as the prices of crypto currency market are now decreasing. Indian administration has made it clear with their stand of not providing a legal status for crypto currency in India. The purpose for this kind of a decision from government hails from first, the challenge of checking the decentralized transactions in crypto currencies are tough to trace which could be beneficial for the hackers, criminals and also for terrorist activities. The second reason being crypto currency market could be a leading player for the banking service industry.

Crypto currency like Bitcoin has become popular in India like other nations as the volume of Indian rupee being traded in crypto currency have been at the maximum post demonetization. Researches show that the size generated by the rupee dominated crypto currency is the 3rd largest volume traded after American dollar and yen. The demonetization policy of 2016 may have encouraged the execution of crypto currencies amongst a substantial share of the population but realities speedily began to come out that have subdued the growth of the market in the country. In spite of its huge population, India only contributes 2% of the whole global crypto currency market capitalization. Crypto currencies in Indian context portray few ~~in~~ They are as follows:

Reliability and security: Crypto currency for its characteristic of be a digital method of transaction, it has become a very common platform for hackers, terror finance, drug transaction, and money laundering. This has brought tiredness amongst the population to a greater extent as it brings lesser security and deficiency of reliability.

Speculative and risky: There are many types of crypto currencies accessible in the market and these crypto currencies functions on the speculative market it creates. Not all the crypto currencies may raise good returns for a crypto currency investor. The price is decently decided upon the demand supply of the crypto currency. Speculation turn into the key player in case of pricing crypto currency and hence the risk factor comes in.

Taxing trouble: The income Tax guidelines don't make it clear on the taxability of crypto currency gains. However the income tax authorities haven't ruled out the chance of taxing the gain out of crypto currencies. If a shareholder makes a capital gain from the investments of crypto currencies, it invites tax payment as long term capital gain or short term capital depending upon the period of holding the crypto currency.

Lack of regulatory body: Indian governments are following a wait and watch policy towards crypto currencies; whereas other nations of the world have already responded to the use of crypto currency. There are no regulatory bodies to look after the transaction of crypto currencies. This has led to increased risks of fraud, threat to investor security, checking of the movement of money in the economy. RBI along with other central banks of the world was unable to track the activities of crypto currencies.

Price Volatility and KYC Norms: Crypto currency is a highly unstable market as the pricing strategy depends upon demand and supplies along with speculation, Hence an investor who signs up for a crypto currency business have to go under the KYC norms which may take some time for the sanction by the respective wallets. This sanction time taken could vary from wallet to wallet and may even take a few days' time. In such cases the investor tends to lose the possibility of making profit as the value of the currency would be fluctuating at a larger pace.

PRESENT AND FUTURE OF CRYPTOCURRENCY IN INDIA

Currently there is no regulation in India for crypto currencies. The nonexistence of a regulation certain bitcoin exchanges such as Unocoin, Zebpay, etc have started their operation in trading or crypto currencies with Know Your Customer (KYC) norms. The Reserve Bank of India originally was against the trading of crypto currencies in India, however in the year 2014 RBI showed its interest in block chain technology used by crypto currency to reduce the physical paper currency circulation. In 2015, a financial constancy report was published by RBI to identify the importance of private block chain. In 2016, ICICI bank with Emirates NBD (in terms of assets, one of the largest banking groups in the Middle East) has executed transactions and transfer using block chain technology. Then in 2017, a white paper has been allotted by Institute for Development and Research in Banking Technology (IDRBT) of RBI and also a pilot test was taken.

The Union finance minister in his Union Budget 2018 speech said, "The government does not consider crypto currencies legal tender or coin and will take all measures to abolish use of these crypto-assets in financing illegal activities or as part of the payment system." However, the administration has recognized block chain and said that a "distributed ledgers system or the block chain technology allows organization of any chain of records or transactions, without the need of mediators. The administration will explore use of block chain technology proactively for ushering in digital economy." Though administration is taking a cautious approach on crypto currencies, it is bullish on the use of block chain. Cryptocurrency industry believes that blockchain and crypto currencies have to go hand in hand. But unless and until a decentralized system is formed, it is as good as keeping track. If only block chain technology is to be accommodated that just builds up a centralized system which gives authority to a person or a body to rectify and modify it.

Experts and viewers in the country hope and forecast that the administration will regulate crypto currencies in India in different stages. This favorable and positive signs give expectations to the industry of crypto currency. Meanwhile private companies dealing in crypto currencies have set up an association called, the Digital Assets

and Block chain foundation which has been engaged in educating the public on the beneficial and investment alternatives in crypto currency by conducting security checks, identification documents issued by the government, Permanent Account Numbers (PAN) or Aadhaar IDs.

As the arrival of internet, crypto currency also has a tremendous growth potential. With the help of both these factors of internet and block chain technology, in future there are chances of virtual banks in India. Hence to verify it on a positive note the Reserve Bank of India has taken initiatives to launch its own crypto currency named as 'Lakshmi'.

CONCLUSION

Crypto-currency is such a creation which has become a global phenomenon. Prior RBI warned the Indians from using crypto- currency that to be related with money laundering and terrorist financing. But, crypto currency is a modern technology and a tool which desires to look forward for. Even still there has been no regulatory response from the Indian government; the number of investors in crypto currency is cumulative rather swiftly over the last few years. Indian government should take responsible phases now to regulate such currency as its user in India is fast growing. Future of crypto currency in India looks promising and there is ray of hope.

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