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Analysis of the Impact of Cryptocurrency on Indian Economy

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Abstract: *For decades, investments have been limited to assets such as real estate, gold, bank deposits, and stocks. Over the past few years, a new investment asset class is making everybody take notice – cryptocurrency. This latest form of asset has been doling out good returns for its investors, promises to disrupt the monopolistic tech ecosystem and now everybody wants a piece of this action. The total global crypto market value now exceeds $ 2.12 trillion, with a daily global trading amount of more than $100 billion. But before you decide to dive in, it is best to understand this investment avenue better.*

Most cryptocurrencies are backed by a technology called 'Blockchain', which is the most impactful innovation in recent years. Blockchain helps cryptocurrencies with two primary things: it maintains a list of all transactions of a particular cryptocurrency (called ledger), and it assists in "minting" more of that cryptocurrency based on predefined mathematical rules. While this process seems pretty straightforward, blockchain helps us do both without a trusted intermediary in between. This means that there is no central bank that is issuing these cryptocurrencies or securing your transactions, all of it happens seamlessly on a digital ledger!

Regardless of whether you trust the technology, it has become a global phenomenon over the last decade. This paper highlights the impact of how this technology has affected the Indian economy and the future plans and outlook for cryptocurrencies

Keywords: Cryptocurrency

I. INTRODUCTION

Cryptocurrency is a digital payment system that doesn't rely on banks to verify transactions. It's a peer-to-peer system that can enable anyone anywhere to send and receive payments. Instead of being physical money carried around and exchanged in the real world, cryptocurrency payments exist purely as digital entries to an online database describing specific transactions. When you transfer cryptocurrency funds, the transactions are recorded in a public ledger. Cryptocurrency is stored in digital wallets.

Cryptocurrency received its name because it uses encryption to verify transactions. This means advanced coding is involved in storing and transmitting cryptocurrency data between wallets and to public ledgers. The aim of encryption is to provide security and safety.

The first cryptocurrency was Bitcoin, which was founded in 2009 and remains the best known today. Much of the interest in cryptocurrencies is to trade for profit, with speculators at times driving prices skyward.

Different types of cryptocurrencies

There are thousands of cryptocurrencies. Some of the best known include:

Bitcoin:

Founded in 2009, Bitcoin was the first cryptocurrency and is still the most commonly traded. The currency was developed by Satoshi Nakamoto – widely believed to be a pseudonym for an individual or group of people whose precise identity remains unknown.

Ethereum:

Developed in 2015, Ethereum is a blockchain platform with its own cryptocurrency, called Ether (ETH) or Ethereum. It is the most popular cryptocurrency after Bitcoin.

Litecoin:

This currency is most similar to bitcoin but has moved more quickly to develop new innovations, including faster payments and processes to allow more transactions.

Ripple:

Ripple is a distributed ledger system that was founded in 2012. Ripple can be used to track different kinds of transactions, not just cryptocurrency. The company behind it has worked with various banks and financial institutions.

Non-Bitcoin cryptocurrencies are collectively known as "altcoins" to distinguish them from the original.

Objectives of the research

Cryptocurrency and blockchain are two of the hottest topics of the 21st century, and both online blockchain degrees and cryptocurrency courses are rising in popularity. Some experts predict these technologies will revolutionize the future, putting an end to central banking systems, traditional modes of exchange, and the very nature of government and financial control. Others have more modest expectations, suggesting cryptocurrency and blockchain will integrate into our current political and economic frameworks. Even so, these new forms of finance look set to change the way we think about and use money. Following are some of the reasons why information about cryptocurrency is significant.

- It's safe and many organizations are considering it.
- All transactions are Irreversible.
- Bitcoin is Global.
- An excellent Future scope.
- It can boost your bank balance.
- No Gatekeeper.
- New jobs in the Future.
- Bitcoin investments are simple.
- Bitcoin assures many benefits in the long run.
- Bitcoin is free from political interference/restrictions.
- Its safe and many organizations are considering it

It was first introduced in the year 2008 and all the transactions are fully transparent. This is one of the leading reasons why Bitcoin gained popularity in the shortest possible time.

All transaction is Irreversible

It must be kept in mind that all the Bitcoin transactions are irreversible and cannot be reversed once they are done by the user.

Bitcoin is Global

* The transactions are quite fast and it really doesn't matter where you want to send them.
* Even in other parts of the world, they can be sent instantly

An excellent Future scope

There are many famous economists across the globe who have predicted that Bitcoin keeps increasing its value in the coming years. Thus buying or exchanging this cryptocurrency assures a good future in the time to come. Those with basic knowledge can easily keep up the pace.

It can boost your bank balance

There is nothing wrong to say that Bitcoin can boost your bank balance in the shortest possible time. There are many factors that support this statement.

No Gatekeeper

* When it comes to dealing with bitcoin, there is no need for the users to worry about the engagement of the middle man.
* Anyone can download the software and can start using it without facing any barriers.

New jobs in the Future

It is largely believed that a lot of new jobs will be there in the economic sectors which deal with Bitcoin and those with some basic knowledge will be having a lot to earn.

Bitcoin investments are simple

Understanding how bitcoin actually works is not at all a big deal. One can easily keep up the pace simply. Bitcoin actually works on a concept which is known as Blockchain and it usually has a record of all the transactions and is thus called a block. It is actually a peer-to-peer computer connection equivalent and this is exactly what makes users aware of all the transactions.

Bitcoin assures many benefits in the long run

The decentralized approach simply enables you to keep up the pace when it comes to dealing at the international levels without worrying about the exchange and any other form of charges. As already mentioned, it is largely predicted that Bitcoin demand will increase more and will reach the great height of success in the time to come.

Bitcoin is free from political interference/restrictions

* One of the best things about bitcoin is there is no political interference in any of the domains related to this cryptocurrency.
* This makes users access use it in the way they want and not in the way others want it to use.

Cryptocurrency fraud and cryptocurrency scams

Unfortunately, cryptocurrency crime is on the rise. Cryptocurrency scams include:

Fake websites: Bogus sites which feature fake testimonials and crypto jargon promising massive, guaranteed returns, provided you keep investing.

Virtual Ponzi schemes: Cryptocurrency criminals promote non-existent opportunities to invest in digital currencies and create the illusion of huge returns by paying off old investors with new investors' money. One scam operation, BitClub Network, raised more than $700 million before its perpetrators were indicted in December 2019.

"Celebrity" endorsements: Scammers pose online as billionaires or well-known names who promise to multiply your investment in a virtual currency but instead steal what you send. They may also use messaging apps or chat rooms to start rumours that a famous businessperson is backing a specific cryptocurrency. Once they have encouraged investors to buy and driven up the price, the scammers sell their stake, and the currency reduces in value.

Romance scams: The FBI warns of a trend in online dating scams, where tricksters persuade people they meet on dating apps or social media to invest or trade in virtual currencies. The FBI's Internet Crime Complaint Centre fielded more than 1,800 reports of crypto-focused romance scams in the first seven months of 2021, with losses reaching $133 million.

II. CONCLUSION

With all this taking place outside the control of the Central monetary authorities, regulators were now forced to start paying closer attention to the buying, selling and mining of cryptocurrencies. The year 2013 saw The Reserve Bank of India (RBI) issue a circular, alerting users to the possible security-related risks associated with cryptocurrency.

In 2017, another circular from RBI, re-emphasised concerns regarding virtual assets or coins and in Q1 2018, a circular declared that it was illegal for banks and financial institutions to deal in virtual currencies or trade on virtual currency exchanges.

Two years later, the Supreme Court struck the circular down deeming it unconstitutional. The Government of India then decided to opt for a different approach and determined that virtual currencies should be regulated instead of being banned putting into motion the creation of a regulatory framework to be supported by the Reserve Bank and the Ministry of Finance.

Introduced in the Lok Sabha, The Cryptocurrency Bill of 2021, was an important milestone and the first step in attempting to regulate the flourishing Indian cryptocurrency market. This bill sets the guidelines for creating the official digital currency from the Federal Reserve Bank of India (RBI) that will support and use existing cryptocurrency technologies while banning all other existing private cryptocurrencies in India.

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