



THE SCOPE AND FUTURE OF CRYPTOCURRENCY IN INDIA

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ABSTRACT

Recently Crypto currency grabs a hot topic in the financial world. The introduction of Crypto currency has brought a big revolution in the international payment system in a scale that just a few years ago were unimaginable. Crypto currency is a digital or virtual or internet currency which uses cryptography for security encoding rules in itself. Crypto currency produced unmatched variations in the financial market by its merits and demerits contribution. Although it has complex concept to adopt but it is a profitable source of investment in the long run. Crypto currency provides many fruits/merits because of easy transferable, less transaction cost, keeping personal information privately and absence of proxy id. However, Crypto currency also suffers from some demerits .But the main concern relates to security of data and crypto currency. Lack of legal status relating to Crypto currency can be felt in India while India is levying GST on Crypto currency trading. The main tax levying authority ie Central Board of Indirect Tax and Customs is aspired to levy 18% GST on Crypto currency dealing. Although Crypto currency is banned in India but government organizations are adopting block chain Technology in their areas. This study throws light on merits, demerits, opportunities and threats relating to scope and future of Crypto currency in India.

Key Words: Crypto currency, Opportunities, Threats, Scope, Future.

INTRODUCTION

The world of money and finance is changing day by day before our eyes. Therefore there are many financial exchange instruments in the financial market whose main purpose is to make exchange of goods and services easily. In this matter, money plays a crucial role as a medium of exchange accepted by all. On the other hand, money serves as a store of value because it allows us to store our labor or make business payments in a convenient tool. Other medium of exchanges are also being used like metal coins of gold and silver in ancient times. Therefore from ancient to modern times, different modes of payments were being used in the world. Recently a new mode of making payment is being used which relates with the latest global currency developments ie Crypto currency. Its

acceptance is increasing among people across the World. Crypto currency means a mechanism for securely encoding the rules of a Crypto currency system.

Hileman,Rauchs(2017)digitized assets, innovative channels, financial instruments and systems are bringing new paradigms for making payments for financial transactions and forging different behavior of capital.

Different views can be seen differently about its conceptual stream.

OXFORD DICTIONARY defines Crypto currency is a digital currency system in which uses encryption technique to regulate the generation of units of currency and verify transfer of funds, operating independently of a central bank.

INVESTOPEDIA defines Crypto currency means a digital or virtual currency system which uses cryptography for security, backed and regulated by the Central bank like electronic money while virtual currency is unregulated and decentralized. It is difficult to counterfeit because of its security feature. It has a special feature that it is not issued by any central authority and completely decentralized.

Cryptography uses different complex mathematical techniques. But the main constituent of different Crypto currency system is public ledger i.e. block chain system. Block chain is a system in which is shared between network participants and use of native token in order to encourage users because of no central authority.

REVIEW OF LITERATURE

DOURADO, ELI & BRITO, JERRY.(2014) explored difficulties about digital cash in the past and technical cash which is only possible by Crypto currency. This study also threw light on double payment and Byzantine General Problem. At last this study proved that Crypto currency is an effective technical achievement and monetary experiment.

Hileman,Garrick&Rauchs,Michel.(2017) in their Global Crypto currency Benchmarking opined about alternative payment systems and digital assets. The main crux of this study was to examine burgeoning of global Crypto currency industry and its various elements like exchange, wallets, payments and mining. The research data was gathered from Crypto currency companies and organizations across 38 countries and five world regions from September to January during time period 2016-2017.This study proved that during 2016. The role of Crypto currency was very active because of crypto currency industry globalized and localized. This industry showed more fluidness and compliance of regulatory framework that will likely to remain prevalent for years to come.

BANWARI(2017) studied scope of Crypto currency in India. This study threw light on strengths, weaknesses, opportunities and threats of Crypto currency and its scope in India. This study showed that lack of legal status is the major problem relating to Crypto currency in India. Although crypto currency is banned in India but recently it is becoming popular and it is difficult for Govt. to control transactions of Crypto currency.

KUMAR (2018) opined on legal and economic aspects of Bit coin in India. After expressing economic impact and legal position of Bit coin in India. This study declared that in spite of declaring Crypto currency not a legal tender in India, various Governments have been issuing tax notices to legion investors and warning people to be aware while making investment in it. Crypto currency can help investors to evade tax .However its rising trend is under the govt.'s lens.

KUMAR & SWATHY (2019) studied opportunities, challenges of Crypto currency in India with special reference to Bit coin. This study proved that future of crypto currency is doubtful in India because RBI declared that it is not a legal tender. People used crypto currency for alleged activities. Lack of ombudsman and human mismanagement

in online exchange are some major problems while dealing Crypto currency. Although Crypto currency is banned in India but ban is not a proper solution of it .Therefore Govt. should come in the financial arena by considering its advantages and disadvantages because every tree has flowers and thorns.

OBJECTIVES OF THE STUDY

- To explore concept, types and working of Crypto currency.
- To express merits and demerits of Crypto currency.
- To analyze legal status, opportunities, threats, scope and future of Crypto currency in India

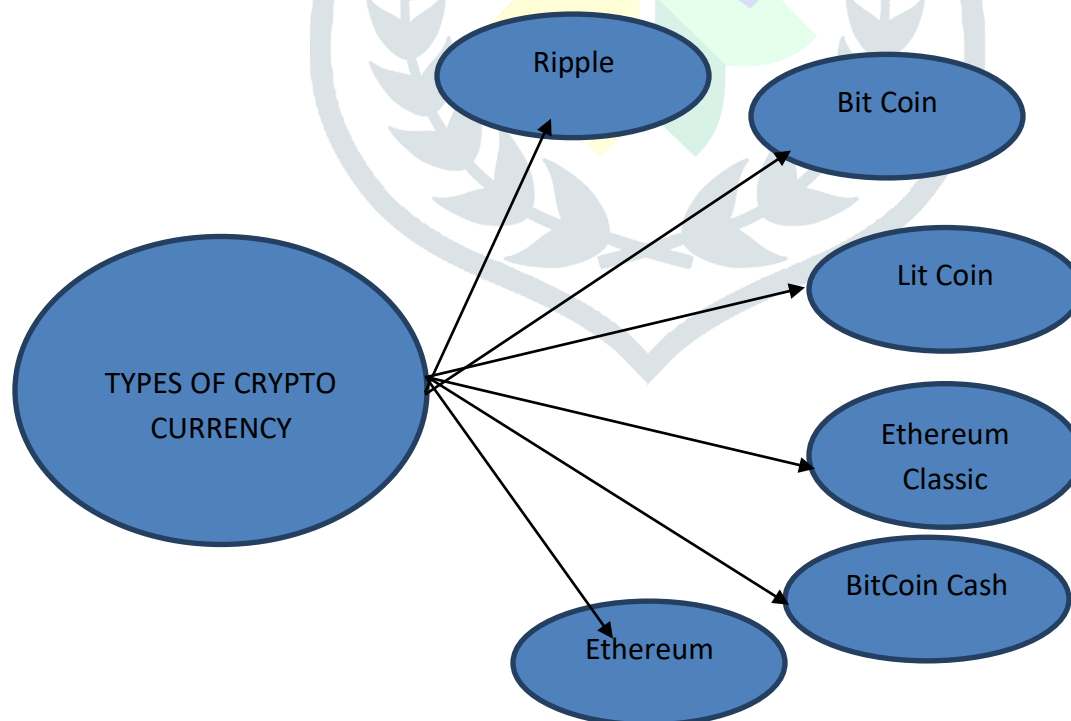
RESEARCH METHODOLOGY

This study is based upon secondary data which is gathered from legion sources such as journals, newspapers, articles, websites and statutory reports

TYPES OF CRYPTO CURRENCY

There are six types of crypto currency as mentioned and shown under in the figure. These types have different features and attributes that make them different from each other.

- RIPPLE
- BIT COIN
- LIT COIN
- ETHEREUM CLASSIC
- BIT COIN CASH
- ETHEREUM



Ripple (XRP) It is a real time gross settlement system which is started in 2012 by Ripple Labs Incorporation, US based company. Its main purpose is to make currency exchange and remittances through Network. It transfers money securely and at low cost. It has a special function which makes it different from others that it focuses not

only for person to person transactions but also moves money on a large scale. Ripple helps in exchange any type of currency from USD and Bit coin to gold and EUR and connects to banks unlike other currencies.

Bit Coin

It is very popular and original form of crypto currency. It was created in 2009 which allow its users to make transparent peer to peer transactions. All users can view these transaction however they are safe through the algorithm within the block chain. Everyone can observe transaction in Bit coin but a ‘private key’ is given to its real owner that helps him in decrypting it. There is no central authority figure in Bit coin but its users can control their sending and receiving money on different transactions that take place throughout the world.

Lit coin

It is an alternative to Bit coin which was started in 2011. It is a peer to peer crypto currency and source to source software project which was released under MIT/X11 License. It is completely decentralized in which transfer of funds is done on an open source crypto graphic protocol.

Ethereum (ETH)

It was proposed in late 2013 by Vitalik Buterin, Crypto currency researcher and programmer. It is an open source platform based on block chain technology. Ethereum Network uses a special code for its owners in order to provide services and charge fees on their transactions.

Bit coin Cash

The main objective of this digital currency is to improve certain features of Bit coin by increasing size of blocks, allowing more transactions to be processed faster.

Ethereum Classic

It is that version of Ethereum block chain which runs only smart contracts. Smart contracts are those applications which run exactly as programmed without any possibility of down time, censorship, fraud or third party interface. Ethereum gives a value token to owner to provide services and products.

WORKING OF CRYPTO CURRENCY IN INDIA

Reserve Bank of India made an announcement in April(2017) that all regulated bodies should stop their dealing related to virtual currencies in a period of three months time. Indian banks and lenders will stop their transactions with those companies or individuals that trade in Crypto currencies since July. It has adverse impact on market integrity and capital control beyond a critical size it may be dangerous for financial stability (Forbes, 2018). Secondly it seriously undermines AML (Anti Money Laundering) and FATE (Financial Action Task Force) framework.

Therefore it is obvious that lack of legal status is seen relating to Crypto currency in India while India may levy GST on crypto currency trading. Central Board of Indirect Taxes and Customs has aspired to levy 18% GST on dealing of Crypto currency.(Bloomberg Quint,2018).

There are some suggestions regarding crypto currency in India as given under

- Purchase of crypto currency is just like a supply of goods and its supply, transfer, storage and accounting will be treated as services.
- The value of crypto currency will be determined on transaction value in rupee or any other freely convertible foreign currency.
- If buyers and sellers are living in India then transaction between them will be treated as supply of software at buyer's place.
- If transfer and sale of currency takes place between non registered persons then in such a case, location of the supplier will be the place.
- If any transaction takes place beyond India territory then it will be liable for integrated GST.

POSITION OF CRYPTO CURRENCY IN INDIA

There is no any ban on crypto currency in India. India has a big market for such transaction. Therefore dealers are hiring different dealers and chartered accountants who can help them in buying and selling crypto currencies. The objective of bringing more liquidity in market discouraged crypto currency exchanges like Block chain Foundation of India, a lobby of 45 crypto dealers. Thirty new exchanges have given up their ideas for making membership in it. (The Print, 2018)

ROLE OF BLOCK CHAIN TECHNOLOGY IN INDIA

Recently block chain technology is adopting by govt. organizations in dealing of crypto currency. But it has an immense potential to change the manner for storing and managing data. Its application is very wider in crypto currencies.

ANDHRA PARDESH

Quartz,(2018) Recently the Govt. of Andhra Pradesh is using Swedish start up CHROMA Way of Block chain technology. This is a registry system which helps people to get loans, to collateralize property and make any investment against asset. Block chain technology uses Tracking property ownership which helps people to circumvent disputes, frauds and errors. It also reduces administrative hassle of registration and title transfers.

MAHARASHTRA

The Govt. of Maharashtra is encouraging industry leaders, researchers and others to use Block Chain technology in e-governance operations because govt. organizations are the biggest data creators and consumers.

According to chief minister DevendraFadnavis(Maharashtra Technology Summit 2017) "Block chain technology in such organizations will bring transparency, efficiency, accountability and accessibility in data flows ".

MERITS OF CRYPTO CURRENCY

Crypto currency is a big investment vehicle that provides various advantages in the long run. Its future prospects are very encouraging because of following merits

- Easily accessible and available:
Crypto currency is not linked to any specified country and institution. Therefore it is easily accessible and available to all.
- Investment vehicle:

Crypto currency is that investment vehicle in which investor can invest his savings through internet.

- Absence of mediators:

Crypto currency is not attached to any bank or institution. Therefore it facilitates trade without any mediator.

- Speedy payment :
Crypto currency makes payment speedy because inter country businesses and payments are hassle free.
- Low transaction cost :
Crypto currency has low transaction cost as compare other financial instruments such as credit cards and debit cards Therefore it makes crypto currency economical.
- Keeping personal details private :
Crypto currency keeps personal details of his customers private. It ensures anonymity of the person dealing with it.
- Creation of proxy id
Crypto currency protects personal identity of his customers and merchants from being misused elsewhere.

Demerits of crypto currency

All merits discussed above do not mean that there is no risk involved in investing in crypto currencies. There are some demerits of crypto currency as given under

- New investment vehicle
Crypto currencies are relatively new in the market. Therefore these come with learning curves.
- Not aware fully
Many people do not have any knowledge how to use crypto currency and hence open themselves to hackers.
- Proper knowledge
People make their investments in crypto currency without proper knowledge. Therefore they lose money to something they did not learn about. It makes innocent investors and dealers more vulnerable to hackers.
- Lack of acceptance by Websites
There are many Websites and companies which do not accept crypto currency yet.

FUTURE OF CRYPTO CURRENCY IN INDIA

According to India's finance secretary Subhash Chandra Garg shared his views on future of crypto currency both in India and worldwide while heading the Inter-Ministerial Committee.

- Legalized instrument
There are few countries which have announced use of crypto currency legal. Therefore if you have paid any amount mistakenly in crypto currency, then there is no any way to refund it.
- No significant reception
The major demerit of crypto currency is that it has no significant reception but now it is consolidating its position slowly and steadily.

Although Block chain technology is being used by many govt. organizations but it is not without technical challenges and limitations.

Swan (2015) described seven technical challenges and limitations for adopting it in the future.

- Issuing ability
Bit coin network can issue only 7tps (transaction per second) because it has only maximum potential throughput 7tps while other transaction processing networks are VISA (2000TPS) and Twitter (5000tps).
- Latency –big issue
For creating sufficient security for a Bit coin transaction, ten minute is necessary to complete one transaction. More time will be spent for achieving more efficiency on a block because the cost of double spending attacks will be outweighed. Therefore latency is necessary to verify each and every transaction.
- Lack of full security
Block chain has a possibility of a 51% attack. After 51% attack, single entity would have full control on Network's mining hash rate. Therefore the attacker can manipulate Block chain.
- Difficult to use
The bit coin API for developing services is very difficult to use. Here there is a need to develop other friendly API for Bock chain.
- Difficulty of versioning
Any small chain which involves small number of nodes has higher possibility of a 51% attack. Whenever chains are split for administrative or versioning purposes, then another issues emerge.

According to India's finance secretary Subhash Chandra Garg shared his views on future of crypto currency both in India and worldwide while heading the Inter Ministerial committee.He mentioned all aspects of crypto currency in India on committee's report and draft bill entitled "Banning of Crypto currency and Regulation of Official Digital Currency Bill 2019" in July. He shared his thought in a blog entitled "Currency will become Digital; Crypto –Currencies will not survive ".

He claimed three basic problems with "private crypto currencies ".

- No attributes of currency
Bit Coin is not backed by any country. Therefore it is not a commodity with any intrinsic or commodity acceptable value and have " no attributes of currency "

- Problem of Maintaining value
It is difficult to maintain the value of a freely supply crypto currency because private entrepreneur do not have any ability to maintain it.
- Problem of issuing authority
The third problem is whether a currency can be issued by a private entity. Actually it can be issued by anyone.” no such crypto currencies will have any buyer or user”.The Indian govt. has clarified several times that crypto currency is not banned.
- **ACCORDING TO ANURAG SINGH THAKUR (MINISTER OF STATE IN MINISTRY OF FINANCE)**

He cleared in Rajya Sabha,India’s upper house of Parliament in July 2019’ Govt. has not banned crypto currency in India but there was no data to corroborate that crypto currency was primarily used for illegal activities.

The Indian crypto currency industry has been growing rapidly despite the nationwide LOCK DOWN and CORONAVIRUS CRISIS

CONCLUSION

World is dynamic. Therefore new financial instruments are coming in the financial markets in order to lessen risk factor. Crypto currency is a new investment vehicle which provides many merits to its users. Although it has some demerits but it is becoming popular day by day because it is an attractive mode of payment which increases revenues of companies and operators. It brings more positive changes to e-Business and e-Payment sector. Although there are many challenges and issues existing in crypto currency platform, but it is well being regulated and controlled, users need to take some extra precautions while using this virtual money.

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