

# CRYPTOCURRENCY : A NEW NORMAL

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**Abstract** - Cryptocurrencies are a type of virtual currency based on cryptography standards. Cryptocurrencies are a unique combination of anonymity, without regard to critical authority and security. It is an ongoing concept of low-cost digital currency. It has become a brand new road for investment in India as gold. Although the government has not yet enacted any regulatory body or law regarding its trading and processing in India, the government prohibits the purchase and sale of bitcoin, ripple, etc. Cryptocurrencies raise various barriers in his life in Indian markets. Our study focuses on understanding what cryptocurrency is all about and its impact on the national economy. The study also looks at the current scenario and prospects for digital currency in India.

## 1. INTRODUCTION

In addition to the recent cryptocurrency trends, it has been the subject of much public discussion. In the world of technological advances, cryptocurrency is becoming more and more comfortable for investors who value privacy and monetization. These days Bitcoin, Ethereum, Dogecoin, Filecoin, etc. are at the forefront of the financial market as people are showing interest in buying them. On the other hand, many people are in a state of confusion regarding the general functioning of cryptocurrency. Bitcoin was the first cryptocurrency used in 2009. Cryptocurrency does not build any body type as it is a completely digital value on the web. These funds can be used as a cash equivalent of transactions with another business. Cryptocurrency does not rely on the rules of financial institutions but is encrypted and protected which makes it difficult to increase revenue over the previously defined algorithm. Cryptocurrency charges money

at a relatively low rate compared to the money collected by the credit card operating financial institution. Cryptocurrency can be converted into different currencies and stored at client records at a faster rate.

## 2. OBJECTIVES

The objectives of this paper are :

1. Study the impact of virtual currency on our economy
2. Study the Present State of cryptocurrency in India and the future prospects of it.

## 3. Review of Literature

In 2017, Kurihara & Fukushima explained that it is not a digital currency that has won worldwide. Unlike the money issued by the central bank and the government, Bitcoin can be sprayed at will, the supply of Bitcoin is limited to a certain amount, which cannot be altered.

In 2016, Wonglimpiyarat reveals that there are issues with the illegal tender where Bitcoin seeks state law to consolidate the approval of this new currency. Bitcoin currency can change the future of banking in developing countries but it is difficult to replace a cash-based society.

## 4. Terminologies Used

- 1) Cryptocurrency: It is digital Currency . It is considered to be encrypted & more secure than the physical money.
- 2) Cryptography: It is a method of converting comprehensible data into complicated codes which are tough to crack.

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

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## 5. DISCUSSION

### A. Cryptocurrency in India

The impact of digital currency on the Indian economy is reflected as prices in the digital currency market are declining now. The Indian government has made it clear that their non-disclosure status is the legal status of cryptocurrency in India. The reason for this kind of decision from the government is to praise for the first time, the challenge of monitoring transactions distributed to cryptocurrencies is difficult to follow in a way that can be useful to hackers, criminals, and terrorist activities. The second reason for being a cryptocurrency market could be a leading competitor in the banking service industry. Cryptocurrency like Bitcoin has become as popular in India as other nations as the volume of Indian rupee traded digitally has been at a very high level of demon making. Researchers show that the volume generated by the dominant cryptocurrency rupee is the third largest volume traded behind the US dollar and yen. The 2016 demonisation policy may have encouraged the introduction of digital currency among the vast majority of the population but the facts that are beginning to emerge are slowing down market growth in the country. Despite its large population, India contributes only 2 percent of the total cryptocurrency market capitalization. There are a few limitations of cryptocurrencies in the Indian market. They are :

**Lack of Trust and Security Issues :** Cryptocurrency with its feature of digital trading mode has become a very popular platform for hackers, terrorist financing, drug trafficking, and money hiding. This has brought an issue among people on a large scale as it brings less security and a lack of trust.

**Guesses and risks:** There are various types of digital currency available. Not all cryptocurrencies can give good benefits to a cryptocurrency investor. Price is determined solely on digital currency supply. Therefore Guessing becomes a key factor in the event of a digital currency price which is why the risk arises.

**Tax problem :** Income tax laws do not specify the tax liability available for cryptocurrency. However, income tax authorities have not ruled out the possibility of taxing cryptocurrencies. When an investor makes a profit from a digital investment, he invites tax debt as a long-term interest or a short-term investment depending on the time of holding the cryptocurrency.

**Lack of regulatory body:** The Indian government follows awaiting and monitoring policy regarding digital currency; whereas other nations of the world have already responded to the use of digital currency. No regulatory body oversees cryptocurrency transactions. This has led to an increase in fraudulent opportunities, which threatens the protection of investors in the pursuit of cash flow. The Reserve Bank of India and other central banks have not been able to track the activities of digital currencies.

**Price fluctuations and KYC procedures :** Cryptocurrency is a highly volatile market as the pricing strategy depends on demand and supply and consideration, which is why an investor registering for cryptocurrency transactions should go under KYC procedures that may take some time to be accepted with appropriate funds. The approval time taken may vary depending on the wallet and may take a few days. In such cases, the investor often loses the opportunity to make a profit as the amount of money will increase exponentially.

### B. Present and future of Cryptocurrency in India

Currently, there are no laws in India for cryptocurrencies. Some bitcoin exchanges such as CoinSwitch, WazirX, etc have initiated their operation in trading or cryptocurrencies with Know Your Customer (KYC) norms. In starting, the Reserve Bank of India was not happy with the trading of cryptocurrencies in India, But in 2014, RBI showed its interest in blockchain technology used by cryptocurrency to reduce the National physical currency. A financial report was published by RBI to identify the importance of Permissioned blockchain in 2015. In 2016, ICICI bank owned by Emirates NBD (in terms of assets, one of the largest banks in the Middle East) conducted transactions and withdrawals using blockchain. Then in 2017, a white paper was released by the

RBI's Institute for Development and Research in Banking Technology (IDRBT) and tests were also taken. The Union Minister of Finance in his Union Budget 2018 speech said, "The government does not consider a legal regulation for digital currency and will take all possible actions to eliminate the use of these crypto-assets in financing unauthorized activities in India ." However, the government has seen blockchain and said that "distributed ledger system or blockchain technology allows for the editing of any series of records or transactions, without the need for intermediaries. The cryptocurrency industry believes that blockchain and cryptocurrencies should be compatible. . Experts and observers in the country hope and predict that the government will regulate cryptocurrencies in India in various stages. It means that private companies working with digital currencies have established an organization called, Digital Assets and Blockchain foundation which was involved in educating the public on practical ways and investing in cryptocurrency by making security checks, government documents, Permanent Account Numbers (PAN), or Aadhaar Photo ID. Like the internet, cryptocurrency also has great growth potential. With the help of both the internet and blockchain technology, in the future, there are massive opportunities for virtual banks in India.



Fig -2: Various cryptocurrencies

### CONCLUSION

Crypto-currency is an invention that has become a global phenomenon. Earlier the RBI warned Indians to use a cryptocurrency that would be linked to money laundering and terrorist financing. However, cryptocurrency is modern technology and tool that you need to aspire to. Although there has been no regulatory response from the Indian government, the number of investors in cryptocurrency has increased rapidly over the past few years. The Indian government should take decisive steps now to control such money as its consumer in India is growing rapidly. The future of cryptocurrency in India looks promising and there is a ray of hope.

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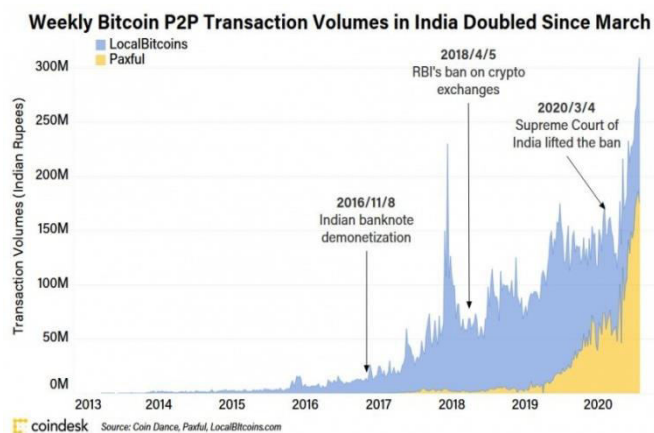


Fig -1:Growth of Cryptocurrency Since 2013