

## A STUDY ON EVOLUTION AND FUTURE OF CRYPTO ASSETS IN INDIA

**Sameen Shaikh and Bidisha Roy Goswami**

Assistant Professor, Rajeev Gandhi College of Management Studies, Navi Mumbai

### ABSTRACT

*For decades, the investment options were limited to assets such as real estate, gold, bank deposits, and stocks. Over the past few years, a new investment asset class is making everyone's eyes turn – cryptocurrency. This latest type of asset has been giving 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. Regardless of whether you trust the technology or not, it has become a global phenomenon over the last decade. Let's dive deeper into how this technology has impacted the Indian economy and the future plans and outlook for cryptocurrencies. This research paper will help to study the different aspects of cryptocurrencies, starting with their history, types, India's role in crypto market, its grey areas and the way forward.*

**Keywords:** Cryptocurrency, Current Scenario of Crypto Regulation in India, Grey Areas Regarding Crypto-Currency, Central Bank Digital Currency

### INTRODUCTION

Undoubtedly the era of information and communication technologies has created many golden opportunities in several aspects. Financial and business sectors are the fields that have benefitted from these technologies and online connections. A new business phenomena has been created due to the growing number of online users as they have activated the virtual world concepts. Thus, new types of trading, transactions and currencies have been arising.

One of the remarkable financial forms that have emerged in the past few years is Cryptocurrency. Cryptocurrency (CC) can be defined as any medium of exchange, apart from real world money, that can be used in many financial transactions whether they are virtual or real transactions. Cryptocurrencies represent valuable and intangible objects which can be used electronically or virtually in different applications and networks such

as online social networks, online social games, virtual worlds and peer to peer networks. Cryptocurrency is a digital currency which is created for the purpose of transaction as a normal currency. It uses Cryptography and Block chain technology to secure its exchanges and limit the production of a particular type of cryptocurrency and keep track of each and every transaction in the whole network. The Cryptocurrency laden with so much new age technologies and a huge market presence all over the world, but still, even after a decade of its existence, it has not attained an established image as a new age currency system among majority of the countries in the world and people are still skeptical about its worth. It's almost a decade that Cryptocurrencies are existing in all over world but still its status has not been identified as whether it will ever attain the actual currency status or it will remain as a part of investment portfolio

### OBJECTIVES OF THE STUDY

➤ To understand the concept of crypto currency, its working and its types.

- To study India's role in the crypto market.
- To analyze the legal status, challenges and opportunities of cryptocurrency in India.

## RESEARCH APPROACH

This is basically qualitative research and the key source of the information in this research is the secondary data. This review covered multiple websites, recent online articles, news etc. This research output is the outcome of an overview of articles from the reputed National and International journals, websites and its related issues.

### History of Cryptocurrency and its evolution

Cryptocurrency emerged in India for the first time around 2009 in the form of Bitcoin. It was in the year 2010 that the first commercial transaction occurred followed by the first Cryptocurrency exchange in the year 2013. It has made everyone's eyes turn in India over the past few years. Industry estimates that there are 15 to 20 million crypto investors in India, with total crypto holdings of around 41 thousand crore rupees (\$5.37 billion).

This growing popularity has been attributed to several factors, including India leading the world in terms of growth in adoption of the internet, and the country's burgeoning tech industry along with tech-savvy millennials providing the right consumer segment for cryptocurrencies. Block chain based games have emerged in recent years. These games offer gamers from tier 2 and 3 cities to earn lakhs of rupees every month by just playing those games and unlocking rare items in these games. Another aspect to increase the cryptocurrency is huge transaction volumes on peer-to-peer (P2P) platforms. They also can be transferred across borders without having to go through any third-party institutions. Needless to say, most people see them as an alternate investment opportunity to the traditional ones like stock exchange and mutual funds with value increase in the future.

Block chain is a technology that backs most cryptocurrencies, which is believed to be the most impactful innovation in recent years. Block chain 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, there is no need for a trusted intermediary in between carrying out the above functions. 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.

### Types of Cryptocurrencies

There are tens of thousands of cryptocurrencies available today with the figure pegged at 10,000 in 2022. Major cryptocurrencies include the following:

#### Bitcoin

Bitcoin is synonymously used for cryptocurrency. It is widely accepted around the world. The potential investors need to know that bitcoins have become very expensive lately. In 2021, the cost of one Bitcoin was \$68,000. But on a good note, smaller fractions of the coin could be bought instead of an entire coin.

#### Altcoin

Any alternative digital currency to bitcoin is termed as altcoin. Ethereum is the most popular in this ecosystem. It is one of the fastest growing crypto currencies in the market. Apart from this Lucky Block, Shiba Inu and Terra are also a range of altcoins.

### Crypto Tokens

The concept of crypto coins vs tokens can be confusing to many. At first glance, coins and tokens appear the same. However, the two have many differences to mention a few, the

Coins can be mined, wherein tokens cannot be mined.

Coins are linked to blockchains, tokens are not.

In terms of utility, they vary in the type of product or service they allow users to purchase.

### **India's Role in the Crypto Market**

India has proved to be an active player in the cryptocurrency market.

Based on several research analyses, India is serving as home to the highest number of crypto owners and it stands second in terms of adoption. CryptoTech adopters are emerging in more than 60% of states in India. The retail investors being over 15 million. India experiences strong institutional presence, with nearly 230 startups in this space leading to a lot of growth opportunities.

Hungry entrepreneurs and a top tier talent pool is hustling in the Indian tech ecosystem, even from a global perspective. A continuous growth of the ecosystem in the same direction as the past few years, India will stand out to be a global leader in this space.

The institutions and regulators are required to educate the public at large so that the cryptocurrencies gain the acceptance and opportunities it brings to our country. Thankfully, many institutions have already undertaken this task and are making good progress.

### **What is the Government Doing to Regulate Cryptocurrencies?**

In India, the government is taking a cautious yet determined approach to regulating cryptocurrency. The Reserve Bank of India (RBI) has issued warnings against the risks associated with virtual currencies and has urged people to exercise caution before investing in them. The government takes into consideration the prospective benefits that the country's economy could have due to cryptocurrencies.

The aim of reducing the country's dependency on traditional cash system has led the finance minister to introduce 'Digital Rupee' which is based on blockchain technology.

The finance minister has also introduced 'Digital Rupee', based on blockchain technology with the aim of reducing the country's dependency on the traditional cash system. While announcing their plans to launch a digital currency, the government also imposed taxes on virtual assets at 30 per cent which although high, paves a path towards recognition of cryptocurrencies as an asset class.

In July 2022, The Reserve Bank of India (RBI) recommended a ban on cryptocurrencies citing 'destabilizing effects' for the country's monetary and fiscal health.

### **Grey Areas Regarding Crypto-Currency**

**Volatile Nature:** Cryptocurrency holds speculative nature. Market volatility occurs when investing in high amounts, meaning prices fluctuate and people may suffer big losses as a result.

**Reliability and Security:** Cryptocurrency being a digital mode of transaction has become a very common platform for hackers, terror finance, and drug transactions.

**Lack of Regulatory Framework:** Cryptocurrencies are kept under a watch by the Indian Government. Absence of regulatory authority has led to increased chances of fraud threat to investor protection and movement of money in the economy.

**Flooding Advertisement:** Advertising is done in the crypto market to lure people into speculating, as it leads to making money in a quick way. These advertisements mislead the youth through overpromising and non-transparent advertising.

**Scalability Concern:** Since crypto is based on blockchain technology, its scalability remains a major concern. Blockchain technology uses only data storage mechanism where the data cannot be modified i.e. append only, and with growing demand the storage capacity remains limited.

**Money Laundering:** Money laundering is a huge investment possibility and it is very easy as one can send money from country to country without any accountability.

**Possibility of Economic Disbalance:** Rising crypto currency market can disbalance the circular flow of money in the Indian Economy. The creation of cryptocurrency is very different from how actual cash is created in the economy.

**No Ombudsman:** There is no forum where a user can reach out for any help or grievance redressal, as a result of which consumers are exposed to transactional and informative risks.

### What Should be the Way Forward?

**Defining Cryptocurrency:** Cryptocurrencies should be explicitly defined as securities or other financial instruments under the relevant national laws.

**Linking Startup Ecosystem with Crypto:** Job opportunities such as blockchain developers to designers, project managers and business analysts to promoters and marketers can be created in startup ecosystem by cryptocurrency and blockchain technology.

**Lynchpin for International Cooperation:** Because crypto assets transcend national borders, they serve as a lynchpin for international coordination of financial markets governance.

**India Towards CBDC:** The introduction of Central Bank Digital Currency (CBDC) for India in the form of Digital Rupee was announced by the Finance Minister of India. It will give a big boost to the Indian digital economy.

### CONCLUSION

Cryptocurrencies are gradually but surely gaining ground in India. Millennials from tier-2 and tier-3 cities are jumping onto the crypto bandwagon. Men are the ones ruling this space, women are not left behind in the race and their participation in crypto trading has grown by 1000% in recent years. 66% of all users are still below 35 years of age, giving a clear picture that there is a higher rate of adoption among the youth of the country.

Gen Z and millennials are big investors in this space and will continue to hold the space due to the skepticism towards banks and financial institutions, the thrill of volatility, and the availability of digital technology and digital sources of information. P2P platforms have contributed to the substantial adoption of cryptocurrency by the tech-savvy generation. Although there is still uncertainty about regulations, the government has shown signs of recognizing the potential of cryptocurrencies. Crypto definitely seems to be the future.

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*Research paper*

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