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An overview of Crypto currency's effects on the Indian economy

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Abstract
Cryptocurrency is a unique concept in decentralized virtual currency. It has shown to be a fresh, gold-like investment choice in India. Although the government of India has not established any regulating agencies or regulations dealing to the trading and transactions of cryptocurrency, it does restrict the buying and selling of virtual currencies such as Bitcoins, Litecoins, Ethereal, Ripple, Monero, Neo, etc. The usage of cryptocurrency in Indian marketplaces is subject to several limitations. Understanding cryptocurrencies and their impact on the Indian economy is the aim of this study. The report also examines the present situation and prospects for future expansion of the cryptocurrency business in India.

Keywords: Cryptocurrency, bitcoin, regulatory agencies, impact on Indian economy

Introduction

In the last few months, the general public has been talking about cryptocurrencies. Investors that value privacy and financial gain are finding cryptocurrency to be more comfortable in the world of technological advancements. As more and more people show interest in acquiring cryptocurrencies, the financial industry is witnessing a shift towards platforms like Bitcoin, Ethereal, Ripple, Litcoin, Monero, Neo, etc. On the other hand, a greater percentage of people are innately positive about the performance of cryptocurrencies. Bitcoin was the name of the first decentralized cryptocurrency to be created in 2009. Cryptocurrency has no physical form because it exists only online as a digital asset. These currencies are usable for trade and other commercial activities in place of cash.

Cryptocurrencies are digital or virtual currencies that utilize cryptography for secure financial transactions, control the creation of new units, and verify the transfer of assets. Unlike traditional currencies issued by governments (such as the US dollar or Euro), cryptocurrencies operate on decentralized networks based on blockchain technology. Many nations have adopted cryptocurrencies as a form of making a payment, but few are doubtful about the difficulties they will provide to economies both now and in the years to come. In the budget for 2022–2023, India just included a provision for taxing digital currency transactions. This action by India has slowed down the market's development there for cryptocurrencies.

Major features of a cryptocurrency include:

1. **Autonomous leadership:** Because cryptocurrencies run on distributed networks, they are typically administered by a large number of entities, including governments and central banks. Instead, they track and validate transactions using distributed ledger technology, popularly referred to as blockchain.
2. **Security:** Cryptographic techniques are used by cryptocurrencies to control the creation of new units and safeguard transactions. By encrypting and authenticating transactions with public and private keys, a high degree of security is attained.
3. **Worldwide Accessible:** Regardless of location or conventional banking infrastructure, anyone with an internet connection may access and use cryptocurrency. The ease of accessibility has made it possible to conduct cross-border transactions without the involvement of middlemen and to promote financial inclusion.
4. **Limited Supply:** A lot of cryptocurrencies, including BitCoin, are deflationary assets since their maximum supply is specified in advance. In contrast, central banks have the ability to produce traditional fiat currencies, which could result in inflation.

Literature Review

Mubarak and Hosmani Manjunath, 2021 [1] concluded that because cryptocurrencies are still uncontrolled, investors should stay away from them. They believed that investing in gold is preferable to investing in crypto.

Kurihara & Fukushima, 2017 [2] actually, the global phenomenon that has taken hold is not digital currency. In contrast to currency issued by governments and central banks, which is confined to a fixed volume, the quantity of Bitcoin is freely expanded.

Shailak Jani, 2018 [3] explained, investigated investor behavior, expectations for cryptocurrency, and degree of confidence in utilizing unregulated currency.

Wadhawa, N., 2018 [4] founded on taxes on cryptocurrency have discouraged speculation, which is now costly and dangerous for speculative investments; nonetheless, laws governing the international trading of cryptocurrency must also be passed by other countries.

Wonglimpiyarat, 2016 [5] demonstrates the challenges posed by illegal tender and the need for government laws to support the acceptance of this new kind of money. Although the bitcoin currency has the potential to revolutionize finance in developing nations, replacing a cash-based culture will not be easy.

Cryptocurrency: The New Age of Money

1. **Overview of cryptocurrency:** Start by outlining the definition of cryptocurrency and its essential features. Explain the idea of decentralized digital currencies, emphasizing how they rely on peer-to-peer networks, blockchain technology, and cryptography.
2. **Historical Framework:** Give a brief overview of how money has changed throughout time, moving from barter systems to monetary systems and finally to cryptocurrency. Talk about the drawbacks of established financial institutions and the forces that motivated the creation of cryptocurrencies.
3. **Primary attributes and advantages:** Examine the special qualities and possible advantages of cryptocurrencies, such as their decentralization, security, accessibility, transparency, and ability to facilitate cross-border transactions. Talk about how these characteristics improve upon the drawbacks of conventional monetary systems.
4. **Economic Effects:** Examine how the widespread use of cryptocurrencies will affect monetary policy, inflation, financial inclusion, and the dynamics of the world economy. Talk about how crypto currency might be used as a hedge against global unrest and the depreciation of fiat money.
5. **Dangers and Challenges:** Talk about the dangers and challenges that come with cryptocurrency, like price volatility, ambiguous regulations, security flaws, scalability problems, and environmental issues. Talk about initiatives to reduce these risks and strengthen the ecosystem's resilience for cryptocurrencies.
6. **Summary:** Recap the revolutionary potential of cryptocurrencies as the future form of money, highlighting their ability to promote innovation, democratize finance, and give people all around the world power. Consider the difficulties and possibilities that lie ahead, and promote more research into this dynamic and changing environment.

Crypto currency: Impact on Indian Economy

1. **Business Potential:** Indian investors can now utilize cryptocurrencies to diversify their portfolios since they have emerged as a new asset class. By bringing in money from investments, this might promote economic growth and activity. Because of their volatility, cryptocurrencies pose risk and can cause investors to suffer large financial losses.
2. **Payments:** Compared with traditional ways, cryptocurrencies can speed up and lower the cost of cross-border transfer moves. By lowering transaction costs and increasing the effectiveness of transfers of money, especially from Indian workers globally, this could help the Indian economy.
3. **Financial Inclusion:** By providing access to financial services to individuals who do not presently bank, digital currencies have the potential to increase financial inclusion in India. Blockchain-based technologies can provide easily accessible and effectively cost financial services, such as savings accounts, loans, and payments, by replacing the physical framework of current organizations.
4. **Regulatory Obstacles:** India's complex regulations create obstacles for businesses operating in the digital currency bitcoin space. The growth of industries related to cryptocurrency and their economic impact may be limited by the lack of clear regulations, which may prevent innovation and investment.
5. **Taxation and Regulation:** The Indian government is actively exploring regulatory measures to monitor and manage cryptocurrency transactions. In India, these transactions are subject to taxation. Beyond merely revenue generation, effective taxation and regulation can curb illicit activities such as tax evasion and money laundering by ensuring compliance.
6. **Advancement in Technology:** Embracing the underlying blockchain technology of cryptocurrencies holds promise for fostering technical creativity and entrepreneurial endeavors in India. Startups and developers across various sectors, including finance, healthcare, supply chain management, and governance, are actively exploring blockchain applications. The potential benefits of these applications could lead to eventual financial rewards.
7. **Challenges and Risks:** India's economy faces numerous threats stemming from cryptocurrencies, including market manipulation, cybersecurity risks, regulatory compliance issues, and financial instability. Addressing these challenges requires proactive measures from governmental and regulatory entities to foster innovation and ensure consumer safeguarding.

Conclusion

An illustration of a globally embraced innovation is cryptocurrency. Previously, the RBI cautioned Indians against embracing Bitcoin due to its perceived associations with money laundering and terrorism financing. However, cryptocurrency represents an advanced technology and a valuable asset that warrants anticipation. Although the Indian government has yet to introduce regulations, there has been a rapid increase in Bitcoin investors in recent years. Given the swift expansion of cryptocurrency usage in India, responsible measures to regulate this currency are currently being considered. The future of cryptocurrencies in India appears promising and optimistic.

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