

A Ratiocinative Study on the Impact of Bit Coins on the Indian Economy

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Abstract – The idea of shared virtual currencies is revolutionary. Cryptocurrencies. It has proved to be a modern investing opportunity close to gold in India. While the government has not devised any legislative authority or regulations on cryptocurrecny in India, it is regulating the buying and selling of cryptocurrencies such as bitcoin, litcoin etc. The presence of Cryptocurrencies in Indian markets is subject to numerous prohibitions. The key emphasis of this analysis is on recognising the blockchain in the Indian economy. The report also focuses on the existing status of cryptocurencies in India and their future prospects.

Key Words – Cryptocurrency, Blockchain Technology, Impact on Indian Economy

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INTRODUCTION

In 2009 Bitcoin was released by an insignificant individual identified as Satoshi Nakamoto, a cyber, decentralised cryptocurrency. It does not focus on any central money formation or flow control services. To avoid machine misuse, they depend on cryptographic algorithms. It is shortened as BTC and run both in terms of issuance and valuation through a peer-to-peer network inside the public realms. Without requiring trustworthy third party intermediaries, Bitcoins provide a solution to the double spending issue. This is done by supplying all network consumers with the transaction details. Each transaction in a bitcoin economy has a block containing also information on the previous block, which forms a block chain. The block chain is accessible on the Blockchain network to search whether or not the bitcoin was previously utilised. Thousands of network users serve as intermediaries and every bitcoin consumer holds a set of private and public keys. Words widely used for bitcoins are addresses, transfers, blocks, wallets, miners, block chains and so on. The rising bitcoin craze has been put under the microscope of the government. Bitcoin may be a simple route for naive small investors to circumvent tax or snare into ponzi schemes. The government has launched a suppression of the illicit usage of this virtual currency. There is speculation that certain so-called cryptocurrency and bitcoin assets really have little to do with the blockchain-developed virtual currency and are just modern types of scamster moving across the wave.

'Blockchain,' 'confidence fewer.' Over the past few years we have seen crypto currencies implement numerical currencies which are focused on encryption to ensure that protection is not defined as either product or fiat currency. Crypto currency is the world's most decentralised currency with its share of industry issue. Increased consciousness blockchain is regarded as one of the fastest, easiest and most trustworthy transfers. Although the world is developing, the currency faces many difficulties. One of the most widely used crypto currency is a bitcoin, the virtual currency has gained lot of popularity and a lot of people have invested in it considering its increasing value, just like other crypto currencies even bitcoin has its own share of flaws and uses. The blockchain utilises economic rewards to direct network users to certify all transactions that separate ccs from fiat currency digital edition. Since, as compared to a fiat currency, there can be just 21 million bitcoins; they cannot be exposed to inflation losses. In this regard, crypto currencies such as bitcoin may herald the next stage of non-liberal economics. We addressed primarily Bitcoin as a bubble and legit currency in this study article, as the price of bitcoin is increasing considerably. The Bitcoin is recognised as a real currency, but its valuation is not accepted. Some people vary that Bitcoin has entered a bubble zone and that is because people think that the financialization phase will trigger the bubble to get bigger. Few people say bitcoin's a theft in real currency and not a bubble. The main focus of the study is on the entire Indian economy.

Satoshi Nakamoto, an automated cash infrastructure peer to peer focused on technologies known as

BITCOINS

The use of smartphones and Internet access that enables information to flow much faster is India a state-of-the-art country. The technology beginning companies are mainly interested in Bitcoin, as it can be integrated and monetized into almost every software. Some 2000 active Bitcoin users exist in India. Most users are people who want to examine the opportunity to make an investment. Bitcoin in India, for the trade of goods and services from other online sites, is unaccepted by many Indian admirers of the e-commerce website. The demand for Bitcoins comes mainly from the risk that the increasing value of the currency will gain. The Bitcoin economy is now a rap because the coin does not attract VAT (value added tax). The scammers and fraudsters find the bitcoin transaction so useful because bitcoin transactions are irreversible. In India, bitcoins are gaining more. India has moved to 16th position in the world, observing the number of downloads. India has a policy of waiting and watching for Bitcoin. The general public has clearly been told by RBI that virtual currency should not be purchased or sold. Reserve Bank of India feels Bitcoin will help to spread black money internationally, as it is very simple to conduct without leaving any traces. In the Indian financial system, it is unacceptable and uncontrolled. The Bitcoin community in India is small, and they want RBI to intervene in order to develop policies to improve consumer safety. They also suggested to the government that it establish its own exchange, as is the Bourse, with all Bitcoin traders trading in the form of other world currencies. RBI is unable to track the economic activities of the cryptocurrency along with central banks around the world. Such an unpredictable and unregulated form is a cause for great concern. It affects the world's banking, finance and economy. These are the backbone of every country's progress. Digital currency exchanges for bitcoin purchases exist. Bitcoin can be purchased using a credit card. Coinbase.com and Coindesk.com are the most popular exchanges on the various websites where we can pick up bitcoin. In India the most popular bitcoin exchange are zebpay and unicon exchanges.

IMPACTS OF BITCOIN

2016 was a bitcoin year and the world's major currencies grew to 79 percent. This resulted in an improved investment stake. There are many reasons why Bitcoin's impact today is important.

1. Reduce to allowance: - The government introduces a limited list of policies that retain the amount produced by other countries or vice versa, either by other countries or vice versa, either by raising fees and implementing new guidelines. Fear that the family members will not transfer money.
2. There is a control over the capital: - Many self-governing currencies and their practise abroad is monitored and blocked, driving demand for Bitcoin.
3. Better acceptance: - More people in India today use Bitcoin, which means that more businesses have begun to accept Bitcoin as a method of payment in India. Bitcoin is regularly used by online clients and investors.
4. Corruption: - Digital cryptocurrency, such as Bitcoin, also has a lot of use in order to pay wrong activity and make black money unnecessary due to the repressed corruption that India is using. This led to Bitcoin's request that they pay without any supervision by the authorities.

RESEARCH METHODOLOGY

Although the main objective of this study is to study the workings of bitcoin and knowledge of the various provisions related to bitcoin in India and other countries. The data in the secondary paper has been used in this study.

RESULT AND DISCUSSION

Bitcoin acts as a currency and payment system like good gold, by being used for many things beside as a currency and as a payment system. Other than recorded digitally, a new economic means will be digital that will change overall records of records. In present literature, is concentrated on the Indian Economy which is going to be affected by or being benefited from the Bitcoin Bubble. Merchants who are merchants of goods to and from India have begun utilising bitcoin transactions through the website of unicon. Bitcoins are used to buy bus ticket, eat or buy food, receive have a haircut, pay mom and dad back. Most of the biggest companies include sapna online, ETravel smart, mobile DTH data card reload, in soft and CYberis, tecdoc365.

ECONOMIC IMPACT OF BITCOINS

Alternative currencies like the bitcoin or the gold-supported ones have one charming feature in the post-QE world – the promise of finite supply and none of central planning dependency. Such currencies should counteract "deep state" currency interference. However, a deeper examination is necessary for the concept of the finite monetary supply system. Although the merits are relatively known, we have to look at the limitations of this fixed supply system more closely. Many such degradation is not widely appreciated but is well documented. No fiat currency exists and central bankers are

unemployed. No government on the globe can create money out of the thin air and devalue/deplete indirectly our wallet's hard-earned currency. On 8th November, Prime Minister Narendra Modi announced that the tender would no longer be legal for Rs 500 and Rs 1000 banknotes; bitcoin was priced on Unocoin and Cebpay at approximately Rs 52,000. The rise in e-currency interest occurred as the alternative and safe option for investment evolved. Search data from Google show that the Indians were searching for the keyword "Bitcoin" shortly after the note ban. But increased demand also raised concerns about safety. Experts say that the announcement of a bargaining raid was followed by the black cash exchange between many traders and Bitcoins. Crypto currency demand is high, because it is untraceable by security agencies and does not require physical stockpiling that authorities can raid. After the nationwide survey showed that over 17 months, more than \$3.5 billion in transactions were made, the government sent tax notices to tens of thousands of people dealing with cryptocurrency. The Government has issued repeated warnings of investments in digital currency, which are like "Ponzi schemes" that offer early investors unusually high returns. However, it has so far failed to impose restrictions on an industry estimated to add 200,000 users every month in India.

LEGAL POSITION OF BITCOINS IN INDIA

Whether it is a currency, security, commodity or something completely different is the main problem with determining how bitcoins are to be treated. While Bitcoins are often called 'currency' because they have several of its common characteristics, the legal definition requires the issuance, use and acceptance of a currency by a country that is not bitcoin. Another issue is that not everyone has legalised the use of Bitcoins. For consumers, certain countries such as Australia, Canada, Finland and Germany have legalised their use and made it clear that Bitcoin rules apply to normal earnings, whereas many countries still do not clearly state that bitcoin is legalised and used. Thailand, by the way, has illegally used bitcoins. An important issue is the non-uniformity of bitcoin legalisation in various countries. RBI Deputy Governor R Gandhi warned of the cryptocurrencies Bitcoin, for example, in March. "They pose potential financial, legal, customer protection and security-related risks," said Gandhi. 'Payment in these currencies takes place on a peer-to-peer basis and the remedy of customer problems, disputes, and so forth is not provided for by a framework.' As already mentioned, bitcoins are not yet authorised, but they are subject to legislation. In accordance with the Foreign Exchange Management Act, 1999, the currency is defined as 'all currency notes, postal orders, money orders, checks, draughts, travellers' checks, credit letters, bills and promissory notes, credit cards and similar instruments which the Bank may notify.' Currency not "Indian currency" is defined and regulated by the

laws of foreign exchange as "foreign currency" Bitcoins may most likely be subject to foreign exchange law. Furthermore, the definition of "security" may be included in Bitcoins, which states that "such other instruments as may be declared by the Central Government to be securities" Moreover, the Indian Copyright Act of 1957 defines the term "computer programme" as "a set of directives in words, codes, schemes or other form, including a readable medium for the machine, that can cause a computer to perform or deliver a specific task." After the various definitions have been reviewed, it can be concluded that Bitcoins are legalised enough. One must wait and watch the Indian government's approach. Finance Minister Arun Jaitley reiterated in the 2018 Union Budget that the cryptocurrencies are not considered a lawful tender. "The Government will not consider the legal tender or coin for cryptocurrencies in its budget speech and it will take all measures necessary to eliminate the use of crypto-assets in financing unlawful activity or in the context of a system of payments. Jaitley added however that the government is going to attempt to explore the technology blockchain driving bitcoin and other crypto-currencies. The industry has received positive reactions to the recognition of blockchain technology for the future use in the digital economy. Although the budget specifically fails to talk about the exploration of blockchain it should be pointed out that cryptocurrencies such as Bitcoins are the main use in the digital economy.

POSITION OF BITCOINS IN VARIOUS COUNTRIES

Countries such as Australia, Canada, USA, etc. have legalised bitcoins in their territory. Whilst a restrictive approach has been taken by countries like China, Japan etc. Without making it illegal, China restricted financial institutions to dealing directly with Bitcoins. In spite of the severe repression by the government, Chinese citizens continue to invest in Bitcoin and the cryptocurrency market. China's BTCC China, Huobi and OKCoin cryptocurrency exchanges were directed in September 2017 by the government to close down their operations. Executives of the three cryptocurrency exchanges were prohibited from exiting the nation at one stage because of government research into local cryptocurrency exchanges. In Hong Kong, businessmen will reasonably easily set up enterprises. Companies may be lawfully formed with less than \$1,000 to open bank accounts at Hong Kong-based financial institutions. In December 2017, a large number of Chinese investment companies shifted their funds from their Chinese bank accounts into bank accounts in Hong Kong, beginning to trade more actively cryptocurrencies, effectively circumventing China' (Young, 2018). A committee meeting to discuss virtual currencies was held in November 2013 by the United States Senate. Bitcoin has

been stated to be a legal medium to exchange information and online payment systems offer legitimate financial services, both centralised and decentralised. In March 2014, the Internal Revenue Service clearly stated that it would treat bitcoin as a type of "property" instead of a currency. Each Bitcoin transaction is therefore regarded as a capital gain and taxed as a result. Although cryptocurrencies at previous World Economic Forum conferences were a point of conference, these were highlighted this year in Davos. After a break-out year, with Bitcoin rising to \$20,000 in all-pervasive growth alongside other altcoins, one of the major WEF topics is the future of cryptocurrency. It is hardly surprising. In a meeting with Bloomberg, UBS President Axel Weber said that his company would not recommend adoption of cryptocurrency or investment to its customers until further regulatory action is clear. Renowned US investor Bill Gross suggested the increase in bitcoin and cryptocurrency signals a shift away from centralised money-making institutions. People seem to trust technology over state-owned institutions. The well-known economist Joseph Stiglitz brags about Bitcoin for the "secret use cases" crowd of Davos and the superior Fiat currency. My theory is, this type of anxiety actually leads to more Bitcoin and cryptocurrencies being used. For better or worse, the emergence of Bitcoin may represent a monumental change in social security: away from government-backed human structures and machine code-based structures. It was difficult to disregard the sheer value of money that was pumped into the overall cryptocurrency sector, as US Secretary of State John Kerry told Cointelegraph at the summit earlier this week.

PRESENT AND FUTURE OF CRYPTOCURRENCY IN INDIA

There are currently no cryptocurrencies regulations in India. The lack of regulations for a particular bitcoin exchange such as Unocoin, Zebpay, etc. has started its activity with Know Your Customer (KYC) rules in trading or cryptocurrencies. The Indian Reserve Bank initially opposed the trading of cryptocurrencies in India, but in 2014 RBI demonstrated its interest in cryptocurrency's block chain technology to reduce physical circulation in paper currency. In 2015, RBI published a financial stability report to recognise the importance of private blockchain. In 2016 the Emirates NBD bank ICICI (a leading bank in the Middle East in terms of assets) executed block chain technology transactions and sends. A white paper was then published in 2017 and a pilot test was carried out by the RBI Development and Bank Research Institute (IDRBT). The Minister of Finance of the Union, in its 2018 speech, said, "The Government does not take account of any legal coin or tender in the event of cryptocurrencies and will take all measures to remove the use of such crypto-assets for the financing of unlawful activities or the payment system." Though the government takes a careful

approach to cryptocurrencies, it is bullish about the use of blockchain. The government will explore blockchain technology proactively to lead the digital economy." Cryptocurrency industry is convinced that cryptocurrencies and blockchain must go hand in hand. However, it is as good as keeping track, unless and until a decentralised system is formed. To accommodate block chain technology only, it builds a centralised system that allows a person or entity to correct it and amend it. Land experts and observers expect and predict that cryptocurrencies in India will be regulated at different levels by the government. The cryptocurrency industry has hope for these favourable and positive signs. Meanwhile private companies dealing in cryptocurrencies have set up an Association known as The Digital Assets and Blockchain Foundation which was devoted to educating the public with security checks, government ID documents, permanent accounts numbers or Aadhaar IDs on favourable and investment avenues in cryptocurrency. Cryptocurrency also has a huge potential for growth with the arrival of the Internet. In future, virtual banks are likely in India, using both these factors of the Internet and blockchain technology. Hence to prove it on a positive note the Reserve Bank of India has taken initiatives to launch its own cryptocurrency named as 'Lakshmi'.

CONCLUSION

Cryptocurrency is a global phenomenon, which is now such an invention. Earlier RBI warned the Indians against crypto-monetary use of money laundering and terrorist financing. Cryptocurrency is nevertheless a modern technology and a tool for the future. Although the Indian government has not provided a regulatory response, the number of crypto-monetary investors is growing rather quickly in recent years. Indian government should now take responsible steps to regulate currencies that are fast growing for its users in India. The future is promising in India and there is a ray of hope.

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