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## **A Study on Challenges and Opportunities of Cryptocurrency (Bitcoin) in India**

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### **ABSTRACT:**

Due to rapid growth of cryptocurrency in India. The information and communication technologies, many activities in our daily life have been merge on online and they become more flexible and effective manner. A huge growth in number of online users has activated virtual world concepts and creating new phenomenon which is cryptocurrency to facilitates in finance activities in buying and selling and trading. This paper view of about cryptocurrency present legality as well as future government moves impact in currency. The paper analysis an investment risk in BITCOIN countries have response in terms of regulation & legislations towards cryptocurrency to develop clear picture of its impact on various laws in India in order to regulates its.

**KEY WORDS – BITCOIN, CRYPTOCURRENCY, CHALLENGES IN CRYPTOCURRENCY, GOVERNMENT IN FUTURE MOVE ON CRYPTOCURRENCY, GOLD, LEGALITY, RESERVE BANK OF INDIA.**

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### **INTRODUCTION:**

Today's economics are all many economics research, because of all economist have accepted certain currencies (money) as medium of exchange. The money supply causes inflation as well as deflation in economics by its excess supply and contraction supply, hence currencies of different countries regulated by government in order to combat inflation or deflation situation. Now days many countries in the world have focusing towards digital currency and traction. Even some one doesn't want to regulate their currencies and transaction. This brought greater innovation in new currency that is cry currency, one of the most advance, ambiguities, regulation free currency. In this article I made an attempt to study regarding cryptocurrency and its development and transaction in India.

Bitcoin is a crycurrency. It is a decentralized digital currency without a central bank or single administration that can be send from users on the peer – to – peer Bitcoin network without the need for intermediaries.

Transaction is verified by network nodes through cryptocurrency and recorded in a public distribution ledger called block chain. Bitcoin was invented in 2008 by an unknown person or group of people using the name Satoshi Nakamoto and started in 2009 when its source code was released as open – source software. Bitcoins are created as a reward for a process known as mining. they can currencies, products, services. Research product by university of Cambridge estimation that in 2017, there were 2.9 to 5.8 million unique users using a cryptocurrency wallet, most of them using the bitcoin.

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### **OBJECTIVES:**

- To know legality and trading of Bitcoin in India.
- To understand the concept of crypto currency, how it works Bitcoin.
- To analysis the legal status, challenges and opportunities of Bitcoin in India.
- To study the advantages and drawbacks of bitcoin.

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### **REVIEW OF LITERATURE:**

**KURIHARA & FUKUSHIMA**, 2017, explained that it is not digital cash, which was prevailed all over the world. Unlike like central bank and government issued currency, cryptocurrency is inflation at will. The supply of these types of currency are limited to a certain volume which cannot be changed.

VORA (2015), explain that cryptocurrencies are a welcome development, they will offer competition to the existing modalities of money and government regulation, they will be providing alteration means to economics agent for their tractions, and their innovation existence should be reported through the use of virtual currencies. Bank agreed and stuck to orders of RBI with prohibition of cryptocurrency. later on, this circular was declared unconstitutionally by super court on May 2020. Later, it was announced by court that crypto currency was not illegal but unregulated in India.

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### POSITIVES IMPACT ON CRYPTO CURRENCY

- ❖ There is no need of middleman. All the transactions are done on one-to-one basis and it also becomes easier to establish audit trials.
- ❖ This currency can overcome the problem of social trust and by increasing its access, it can serve to increase the growth process in developing countries.
- ❖ Unlike other traditional payment systems like debits and credit card, crypto currency has no processing charge, since those transactions are facilitated through crypto currency public networks which is called Blockchain technologies.
- ❖ Credit or debit cards often taken two or three days to process. With crypto currency, transactions take 10 minutes to clear it. This shows that the speed of transaction in case of crypto currencies is high.

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### NEGATIVE IMPACT ON CRYPTO CURRENCY

- ❖ The price of crypto currency can change drastically over a short period of time which becomes trading with it slightly difficult for the markets.
- ❖ While the details of users of cryptocurrency are held in a public ledger there can be an issue when complying with customers identification or protection of fraud. This shows the lack of anonymity in the systems.
- ❖ Crypto currencies operate digitally and the proof of ownerships is limited to the private key and this becomes the prime target to hack it, since many of the businessmen are unaware of how to protect this new kind of digital currency.
- ❖ Crypto currencies are considered harm to the planet. This digital currency uses Blockchain technology which requires computer all over the planet to solve complex equation in order to verify transaction. This is called data mining, which can be lucrative. The person involved in it earns bitcoins as a reward. This procedure of calculation large amount of electricity.

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### BITCOIN MEANING AND HOW IT WORKING?

#### **DIGITAL CURRENCY:**

Digital currency is nothing but the digital representation of the physical currency of country. Digital currency can be used for transaction and all other utilities that normally would be carried out using physical currency. They are regulated by the government and can be used through debit/ credit card or online payment.

#### **VIRTUAL CURRENCY:**

Virtual currency is neither issued by the government nor is it regulated by the government.

Virtual currencies can be used for transaction in apps and games and are issued by the developers. They do not hold any real value and can only be used digital, i.e., They cannot be converted to fiat currency (digital currency) Virtual currency and digital currency is used interchangeably, but the difference in the two is clear from the mentionable fact.

#### **CRYPTOCURRENCY:**

Crypto currencies are not regulated by the authorities and are a decentralized form of currency. They are created using cryptography which makes it even more secure as double spending can be avoided. Moreover, there are no intermediaries so they can be directly transaction receiver in their digital wallet.

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### HOW DOES BITCOIN WORK?

- ❖ Each Bitcoin is basically a computer file which is stored in a
- ❖ 'Digital Wallet' apps on smart phone or computer.
- ❖ People can send Bitcoin (or part of one) of your digital Wallets, and you can send bitcoin to other people.

- ❖ Every single transaction is recorded in a public list called the block chain.
- ❖ This makes it possible to trace the history of bitcoin to stop people from spending coins they do not own, making copies or undoing transaction.

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## HOW DO PEOPLE GET BITCOINS?

- ❖ There are three main way people get Bitcoins.
- ❖ YOU can buy bitcoin using 'real' money o You can sell things and let people pay you with Bitcoins. o Or they can be created using computer.

## HOW ARE NEW BITCOINS CREATED?

In order for the Bitcoin systems to work, people can make their computer process transaction for everybody. The computer is made to work out incredibly difficult sums. Occasionally they are rewarded with the bit coins for the owners to keep. People set up powerful computer just to try and get the bitcoins. this is called mining. But the sums are becoming more and more difficult to stop too many Bitcoins beings generated. If you stated mining now could be years before you got a single bitcoin. You could end up spending power more money on electricity for your computer then them the Bitcoin would be worth.

## WHY ARE BITCOINS VALUABLE?

*There are lots of the think's others then money which we considered valuable like gold and diamonds. Bitcoin are valuable because of people are willing to exchange them for really good and services, and even cash.*

## WHY DO PEOPLE WANT BITCOINS?

*Some people like the fact that bitcoins is not controllable by the government or bank. People can also spend theirs Bitcoins fairly anonymously. Although all transactions are recorded, nobody would know which " account number" want yours unless you told them.*

## IS IT SECURE?

*Every transaction is recorded publicly so it's very difficult to copy bitcoins, make fake*

*once spend once's you don't own. It's is possible to lose your Bitcoins Wallet or delete your Bitcoins and lose them for Evers. There have also been thefts from websites that let you store your Bitcoins remotely. The value of Bitcoins has gone up and down over the years since it was created in 2009 and some people don't think it's safe to turns your 'real' money inti Bitcoins.*

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## HOW TO BUY AND SELL BITCOIN IN INDIA:

*The downward trends in crypto currency trading in India is mostly due to increased government regulations. However, this does not stop people from trading. two ways in which many*

*Indian trade are*

- I. Exchanges
- II. P2P methods

*Both these steps followed the KYC norms and usually require documents like PAN-CARD, ANDHANR CARD or PASSPORT.*

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## TOP BITCOINS EXCHANGES IN INDIA:

*Since banking institutions have banned cryptocurrency trading in India, popular exchange like g-pay have had to shut down. Nevertheless, the following top exchange are still currency used in India:*

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## UNOCOIN:

*Unocoin was founded in 2013 and is the leading bitcoins exchanges in India. It is backed by investment from the USA and is a regulated company offering low 1% fees which fall to 0.7% with increases trading volumes. It is a relatively easy exchanges platforms, allowing users to buy crypto currency with any Indian bank accounts. However, with the banking proposal at hand, think might get challenging for unicorn.*

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**WAZIRX:**

*One of the India's most trusted exchange platforms, Wazir was founded in 2018. It focuses on exchange escrowed P2P services to enable customer to contain to withdraw INR. WAZIRX follows the KYC norms, has a mobile application for both Android and IOS user and also claims to provide multiple hundred transactions per seconds.*

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**OTHER METHODS:**

*Outside of exchange, P2P trading to enable Bitcoin purchases in India, in spite of the bank bans. Two importance P2P marketplace in India are:*

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**PAXFUL**

*Paxful is a peer-to-peer marketplace founded in 2015 that allows buyers and sellers to meet online and trade directly Bitcoins with each other. Seller on Paxful accept over 300 payment method, including the major Indian payment. There is also no fee for sit itself, since the Bitcoins is traded at a premium.*

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**LOCAL BITCOINS**

*It supports the most popular payment methods and allows individuals from different countries to purchases Bitcoins for their local currency. Local Bitcoins currency operates in several major Indian cities like Mumbai, Hyderabad, Kolkata, Delhi, Ahmedabad, Chandigarh, Pune, Guwahati and many more. Again, due to the 2019 Supreme court proposal, many exchange and marketplace are way of the Indian government's attitude towards crypto currency in general.*

*As of September 2019, there are no Bitcoin ATM'S in India.*

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**WHERE TO SPEND BITCOIN IN INDIA:**

*Most Indian trades and mine Bitcoins to store them in digital web wallets instead of spending them to buy something. Regardless several ventures have been in place to use Bitcoins for spending. Unocoin has been the most prominent in these sectors. In 2017, it linked up with Book MY SHOW, an online cinema ticketing platform. These ventures allowed customer to top up their accounts for movie tickets with Bitcoin. Unocoin also launched a*

*"merchant gateway" which enables business entities to accepts Bitcoins. Sellers like Sapana Book House, bus ticket booking portal e Travels Mart and Dharwad International school take payments from customer thoughts the unocoin gateway.*

*A more unique Bitcoin experiences, Suryawanshi restaurants in*

*Bangalore 's Indiranagar and Whitefield neighborhoods accepts Bitcoin as a mode of payment, along sides the usual cash, cards, and payment. Due to a strong diaspora tradition, many Indian also use Bitcoins on multinational sellers like Dell and steam but get their shipments through relatives /shipping companies abroad.*

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**BITCOINS AND RBI:**

India's general attitude towards cryptocurrency has been negative. In 2017, the central Reserves Bank of India (RBI) considered a now- defunds proposal to introduce its own crypto currency, Lakshmi. It has also been looking into encoring blockchain technology in financial and payment institutions. But the government has shunned crypto currency with policy makers opting to outlaw crypto currency with incarceration and legal petition. Bitcoins is not recognized as legal petitions. Bitcoin is not recognized as legal tenders and as, of 23 July 2019, the Banning of cryptocurrency and Regulation of Official Digital Currency Bill has been proposed. Unocoin, an India-based exchange, allowed individual to trade Bitcoins but is but is now disabled. However, Bitcoin is still traded in India through digital currency exchange like g- pay, coin Delta and coin secure. Many Bitcoin traders usually buy through diaspora networks in countries where it is legal tender.

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**IS BITCOIN LEGAL IN INDIA?**

Finance Minister Arun Jaitley, in his budget speech on 1 February 2018, stated that the government will do everything to discontinue the use of bitcoins and other virtual currencies in India for criminal uses. He reiterated that India does not recognizes them as legal tender and will instead encourage blockchain technology in payment systems.

"The government does not recognize crypto currencies as legal tender or coin and will take all measures to eliminate the use of these crypto assets in financing illegitimate activities or as part of the payment system" Jaitley said.

In early 2018 India's central bank, the Reserve Bank of India (RBI) announced a ban on the sales or purchase of cryptocurrency for entities regulation by RBI. Banning of cryptocurrency and Regulation of official Digital currency Bill 2019 draft has proposed a 10-years prison sentence for anyone who mines, generates, holds, sells, transfers, disposes, issues or deals in crypto currencies.

In 2019, a petition has been filed by Internet and Mobile Association of India with the Supreme court of India challenging the legality of crypto currency and seeking a direction or order restraining their transaction. In March 2020, the supreme court of India passed the verdict, revoking the RBI ban on cryptocurrencies trade.

In 2021, The government is exploring the creation of a state-backed digital currency issued by the Reserve Bank of India, while banning ones like Bitcoins.

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### OPPORTUNITIES OF BITCOIN IN INDIA:

- Entrepreneur within the country is seeing this as a natural opportunity for the proliferation of Bitcoins and other cryptocurrencies within the country. IT'S reported that India currency has around 30,000 Bitcoins owners in the country and that number is expected to grow.
- For consumer Is a payment system which does not required to provide private credentials.
- To marketers its is always to save transaction cost.
- For emigrants it is an instrument to send remittance without charges.

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### CHALLENGES BITCOIN IN INDIA:

The absence of regulatory framework in India in the digital money field has impacts on both sides of range. Like any unregulated area, digital money at present has exceptionally obscure constraints on what should be possible with it. All so, the digital currency is unlawful in the nation.

The people need to understand that Lack of laws or regulatory framework does not make anything illegal, rather it means that until a regulatory framework is placed. Since, Bitcoin can Influence fundamental the monetary aspects of the community, there may not be a considerable measure of political difficulties, yet the controllers need to foresee its Impact before making any rules for its utilization.

Another point where Bitcoin face Hindrances is Dealing with cash and absence of unified trade. This Prompts numerous trades and exchange motors which their own technical specialized particular and thus, A unique rate of refreshing the trade rates.

Regardless of whether we pass by the presumption that the rate of trade is refresher at a similar rate over this discrete trade, brought together trade would have the capacity to give a solitary far-reaching picture of digital money exchange.

The main critical way one can make a benefit using digital money is on trades, Because of these components, financial speculator assumption isn't completely in the support of cryptocurrency startups right now can start.

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### ADVANTAGES OF BITCOIN:

- ❖ Anonymity, with a bank, the people must give their ID when applying for an account. With Bitcoin, anyone anywhere in the world can send money to each other. There is no KYC(Know-Your-Customer) process to open a Bitcoin Wallet. It is Completely anonymous and at the same time fully transparent. Any company can create an infinite number of Bitcoin addresses without reference to name, address or any other information.
- ❖ Peer-to-peer cryptocurrency network-in such networks there is no master server, which is responsible for all operations. Exchange of information is between 2-3 or more software clients. All installed by users' program-wallets are part Bitcoins network. Each client stores record of all committed transactions and number of Bitcoin in each Wallet. Transactions are made by hundreds of distribution servers. Neither banks or taxes, nor governments can control the exchange of money between.
- ❖ No inflation- the maximum number of coins strictly limited by 21 million Bitcoins. As there are neither political force noncorporations able to change this order, there is no possibility for development of inflation in the system.
- ❖ Open code for mining crypto currency-BTC applies the same algorithm that are used in online banking. The only difference of Internet Banking is the disclosure of information about the users. All Information about the transaction in the BTC network is shared (how, when), but there is no data about the recipient or the sender of the coins (there is no access to the personal information of the owner's wallet)
- ❖ Unlimited possibilities of transaction-each of the wallet holders can pay to anyone, anywhere and any amount. The transaction cannot be controlled or prevented, so you can make transfers anywhere in the world wherever another user with a Bitcoin Wallet is located.
- ❖ No boundaries, Payments made in the system are impossible to cancel. The coins cannot be faked, copied or spent twice. These capabilities guarantee the integrity of the entire system. Every month the number of online shops, resources and companies to accepts BTC is expanding.

- ❖ Low BTS operation cost. The BTS cryptocurrency works as physical cash, combining the functions of e-commerce. No need to pay commission and fees to banks and other organizations. The main part of such process is mathematics, which does not need money.

The commission fee in this system is lower than in any other.

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### DISADVANTAGES OF BITCOIN:

- ❖ Bitcoin transactions are irreversible: Conventional payment methods such as credit card charge, bank draft, personal check, or wire transfer all benefit from being insured and reversible by the bank involved. In case of Bitcoins, every time Bitcoins change hands and change wallets, the result is final.
- ❖ There is no insurance protection for your bitcoin wallet. If you lose your wallets hard drive data or even your wallet password, your wallet's contents are gone forever.
- ❖ Cannot be Frozen or Audited: Bitcoin wallets can be seized or frozen or audited by banks and law enforcement. Bitcoin Wallets cannot have spending and withdrawal limits imposed on them.
- ❖ Bitcoin is not very easy to use: private key, public keys, opening and using a wallet etc., are not very easy for people who aren't confident using computers. When we want to send a payment to someone, we have to type a long set of numbers and letters (their public key) into the computer. Bitcoin needs to become easy to use so that everyone in the world can use -it, just like browsing the internet is.
- ❖ Technical weakness- time delay in confirmation, Bitcoins can be double-spend in some rare instances during the confirmation interval. Because Bitcoin travel peer-to-peer, it takes several seconds for a transaction to be confirmed across the P2P Swarm of computer.
- ❖ During these few seconds, a dishonest person who employs fast clicking can submit a second payment of the same Bitcoins to a different recipient.

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### GOVERNMENT SCHEME REGARDING CRYPTOCURRENCY:

Stand of India Government had been pretty clear that they do not want cryptocurrency as a legal tender. Moreover, they want to discourage their citizens from Investing and dealing in the same.

There was a banking ban on cryptocurrencies from July 2018 to March 2020. On March 4, the Supreme Court lifted the ban and through that instance, the government should have understood that they cannot put an absolute restriction on cryptocurrencies.

A committee was formed to study the use of cryptocurrency and precaution, measures or regulation to be take. The committee send its report on 28 February,2019 recommending prohibition of all private cryptocurrencies, except any virtual currencies issued by the state.

The Cryptocurrency and Regulation of Official Digital Currency Bill, 2021(ODC Bill) has been proposed with the target of making a facilitative framework for creation of the official digital currency to be issued by the Federal Reserve Bank of India (RBI) and prohibit all private cryptocurrencies in India.

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### CRYPTO INVESTORS:

Government stand is pretty clear that they do not want decentralized currency. RBI is also looking to prohibit the use of cryptocurrency without looking at the alternative to regulate and control and the cryptocurrency and its transaction.

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### PRESENT SITUATION OF CRYPTOCURRENCY IN INDIA:

It is interesting to note that currently there is no law which bans cryptocurrency in India. It is perfectly legal to own and trade in cryptocurrency. There had been a ban on banking entities to note support crypto transactions but that circular of RBI was set aside on March 4 by the Supreme Court and there is no regulation or legal framework guiding cryptocurrency up to this day.

It should also be noted that it is not a legal tender. Legal tender is mentioned in section 26 of Reserve Bank of India Act,1934 as Guaranteed by the central government of India. So, to declare cryptocurrency as legal tender, the government will have to notify it in the official Gazette notification but until then it cannot be legally enforced.

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### CONCLUSION:

Change is the only thing constant in the human life from barter system to rupees and from physical transaction to online money transaction there has been an upgrade in the form of money and in the form of interface of their transaction, on which the parties carry on business. And now it is time for

cryptocurrency as it is seen as a safe transaction method and promising investment. In upcoming years, the government may try to ban unauthorized cryptocurrencies after launching its own currency, but in the long term it will have to make way for the upcoming surge of crypto investors

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