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## Impact of upliftment of the ban on cryptocurrency in India

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### ABSTRACT

*Money is something that has great value in the life of any human being on this planet and its history dates back to the ancient times when gold, silver, and other metal coins were used for buying goods and other essential items. Cryptocurrency is a digital currency that is created for the purpose of transactions like a normal currency. It uses Cryptography and Blockchain 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 network.*

**Keywords**— *Cryptocurrency, Primary Data, Secondary Data, Upliftment of The Ban, Analysis, Sampling*

### 1. TRANSACTION PROCESS OF CRYPTOCURRENCY

As Cryptocurrency is an entirely digital entity, its exchange or programming uses various kinds of algorithms along with artificial intelligence. The transaction of cryptocurrency (e.g., Bitcoin) can be explained as follows-

- (a) A want to send money to B.
- (b) The transaction is represented online as a “block”.
- (c) The block is a broadcast to every party in the network (assuming there are multiple networks).
- (d) Those in the network approve the transaction as valid (multiple confirmations).
- (e) The block can then be added to the chain, providing an indelible and transparent record of transactions (with the help of address of the blockchain).
- (f) Then the money finally moves from A to B.

Bitcoin has no intrinsic value (cannot be redeemable). It exists only in the network (has no physical value like commodities). Hence it cannot be determined from whom the money gets transferred to which person on the other side.

Its supply is not currently regulated by central banks of the respective countries except a few. Therefore, it is difficult to trace the transactions of cryptocurrencies.

### 2. INTRODUCTION

The RBI issued a circular in April 2018 banning banks from providing services to crypto businesses, including exchanges. The ban went into effect in July that year and banks proceeded to close the accounts of crypto exchanges. The ban was imposed after the RBI issued several warnings regarding the trading of cryptocurrencies, including bitcoin, but crypto trading remained unaffected. The banking ban forced some crypto exchanges out of business, such as Zebpay, Coindelta, and Koinex. Zebpay recently relaunched in India.

The Indian Supreme Court said that “the right to create something that does not violate any existing rule is an unsaid fundamental law”, the news outlet conveyed. "Hence, citizens have the right to create a new industry of cryptocurrencies and exchanges along with the fundamental right to trade. The central bank hadn't demonstrated that trading in such currencies was damaging to the entities it regulated."

In its March 4, 2020 order, which allowed a plea challenging the RBI's 2018 circular, the Supreme Court reportedly noted: Trading in cryptocurrencies now will be allowed. Immediately after the Supreme Court verdict, crypto enthusiasts worldwide went wild on social media with victorious comments, and several crypto exchanges rushed to resume offering INR deposits and withdrawals through bank accounts.

### 3. SCOPE

This study covers a time period of one year from 2019-2020, for the purpose of Secondary data. Cryptocurrency is a digital currency that has not been perceived as legal means of transaction for day-to-day activities till now in a majority of countries around the world. In India too, it was not taken positively by the Government or Regulatory Authority as RBI had banned any transaction related to Cryptocurrency through any bank in the country. However, the Supreme Court has lifted the ban against the use of cryptocurrency. The upliftment of the ban helps determine the preference of each of these attributes. Similarly, the primary data pertaining to the opinions, views and perceptions of the public were collected through a questionnaire during May 2020 from the study area. Mumbai City of the Maharashtra State is a cosmopolitan city and was purposively selected for the study as the researcher is from the same City. The survey was distributed to friends and family within the city.

### 4. OBJECTIVES

Cryptocurrency is a new age technology-based digital currency and its popularity is increasing among people gradually, but the Government and regulatory authorities are still doubtful about its use and there are many legal and security issues linked with it. Cryptocurrencies are mainly being used as an investment tool and it is highly volatile in nature. So it is imperative to study the effectiveness of cryptocurrency as an investment tool among people in Mumbai by knowing their perception towards the upliftment of its ban. Another objective is to study the future prospect of Cryptocurrencies in India through people's perception.

### 5. SIGNIFICANCE OF THE STUDY

#### A. The Global Landscape

As of May 18, 2020 there are 5,482 Cryptocurrencies available & traded in about 22,246 exchanges. The market capitalization of all the cryptocurrencies is \$270,255,490,832 i.e. \$270 Billions. & 24-hour volume was \$ 142,929,147,136 i.e. \$142 Billion. Bitcoin had maximum dominance in the cryptocurrency market with around 67% of market share & market capitalization of \$181.4 Billion (Rs 13.78 Trillion). Its market price was \$ 9,874.2 i.e Rs 7,49,946. Other cryptocurrencies excluding bitcoins are referred to collectively as altcoins, it includes other 5400 currencies that are traded. Some of them are mentioned below in the table:

**Table 1: Cryptocurrencies, their price, and market cap**

<i>Name</i>	<i>Price</i>	<i>Market Cap</i>
Bitcoin	\$ 9874.2	\$ 181.4 B
Ethereum	\$ 215.56	\$ 23.92 B
Bitcoin Cash	\$ 252.31	\$ 4.65 B
Litecoin	\$ 45.84	\$ 2.96 B
Monero	\$ 67.64	\$ 1.18 B
Zeash	\$ 49.17	\$ 451.35 M

#### B. Cryptocurrencies' Rise in India

India with a population that is over 1 billion strong has been on something of an economic renaissance in the last few years. Such has been the extent of the country's growth that the IMF has called the fastest-growing emerging economy. More than 40 percent of the country's population has access to telecoms and internet services. A country steeped in mystery, history, and culture, it is also not one to fall behind when it comes to technological advancement. Bitcoin and other cryptocurrencies have been operating within the country for a number of years now.

### 6. LIMITATIONS OF THE STUDY

- The study is limited only to Mumbai City (mainly South Mumbai) of Maharashtra State. Due to the lack of time and financial constraints the study is restricted to the sample size up to 60 respondents of different age groups. However, it is reasonably sufficient number to generalize the information collected.
- The analysis is based upon primary as well as secondary data. A possibility of unauthorized data cannot be avoidable.
- Reluctance of the people to provide complete information about them can affect the validity of the responses.
- The lack of knowledge of respondents about the ban on Cryptocurrency and the upliftment of it can be a major limitation.
- The subject relating to Cryptocurrency covers various aspects which have a very wide scope. The focus of the study is, therefore, mainly as a whole rather than in depth on the role and working of the Cryptocurrency.
- The study revolves around the general idea of Cryptocurrency and not a specific Cryptocurrency in the previous years.

### 7. RESEARCH HYPOTHESIS

For the present study, the researcher has formulated two hypotheses i.e., Null Hypothesis and Alternative Hypothesis. Both hypotheses are tested with the help of statistical tools. The statements of Hypotheses are as under:

**H<sub>0</sub>** – There is a positive perception towards the upliftment of the ban on Cryptocurrencies in India.

**H<sub>1</sub>** – There is a negative perception towards the upliftment of the ban on Cryptocurrencies in India.

The above-mentioned hypothesis has been tested with the help of primary data acquired by the way of a survey of the questionnaire. The survey explicitly analyses and expresses whether the perception towards the upliftment of the ban on Cryptocurrencies in India is positive or negative.

### 8. TECHNIQUES AND TOOLS USED

- (a) Statistical tools adopted:** The data was interpreted and analyzed with the help of tables, percentages, graphs and chart presentation.
- (b) Sampling technique:** The technique used for this Project is based on a questionnaire which consists of about 16 general questions. This questionnaire aims to provide the data which is of most important in nature to enable a comprehensive analysis of the upliftment of ban on cryptocurrency.

## **9. DATA ANALYSIS, INTERPRETATION AND PRESENTATION**

### **9.1 Data types and sources**

Both quantitative and qualitative data are used. Primary data is collected through observation, structured questionnaires, and semi-structured interviews using a checklist and the responses of the leading questions. Secondary data is obtained from external sources like Newspapers, journals, magazines, the internet, and websites.

### **9.2 Meaning of Primary data and its importance**

Primary data is information that you collect specifically for the purpose of your research project. An advantage of primary data is that it is specifically tailored to your research needs. A disadvantage is that it is expensive to obtain.

#### **9.2.1 Advantages of primary data are as follows**

- (a) The primary data are original and relevant to the topic of the research study so the degree of accuracy is very high.
- (b) Primary data can be collected from a number of ways like interviews, telephone surveys, focus groups etc. It can also be collected across the national borders through emails and posts. It can include a large population and wide geographical coverage.
- (c) Moreover, primary data is current and it can give a better, more realistic view to the researcher about the topic under consideration.
- (d) Reliability of primary data is very high because these are collected by the concerned and reliable party.

### **9.3 Meaning of Secondary data and its importance**

Secondary data are the data collected by a party not related to the research study but collected these data for some other purpose and at different time in the past. If the researcher uses these data, then these become secondary data for the current users.

#### **9.3.1 Advantages of secondary data are as follows**

- (a) The primary advantage of secondary data is that it is cheaper and faster to access.
- (b) Secondly, it provides a way to access the work of the best scholars all over the world.
- (c) Thirdly, secondary data gives a frame of mind to the researcher as to which direction he/she should follow for that specific research.
- (d) Fourthly secondary data save time, efforts and money and adds to the value of the research study.

### **9.4 Population, Sampling frame and Sampling size**

**9.4.1 Population:** This is the set of maximum Investors [Male & female] to which the findings are to be generalized.

**9.4.2 Sampling Frame:** In order, to perform non probability sampling, a sampling frame is constructed based on the study area. The list of Corporate, households, etc. is generated from the selected areas randomly.

**9.4.3 Sample size:** Sample size of 60 respondents is selected for the study to make the study meaningful and relevant.

### **9.5 Study area for Data Collection**

The topic of the upliftment of ban on Cryptocurrency in India is generally known by all masses, but due to time constraints, the study is bounded throughout the city of Mumbai only. The reason for selecting this city is because there are a large number of people residing & who are familiar about it as they may invest on regular basis too.

### **9.6 Sample type and Sampling procedure**

The sample type & procedure opted for this study is prepared by circulating questionnaire via WhatsApp within the Mumbai city. The data collected is mainly based age wise, gender wise, and educational background wise.

## **10. CONCLUSIONS**

### **10.1 Benefits of upliftment of the Ban on Cryptocurrency**

- (a) Indians will be able to systematically build wealth through trading and investing in cryptocurrencies.
- (b) By reigniting the entrepreneurial wave, several start-ups mushroomed in the cryptocurrencies space in India.
- (c) With several start-ups getting back in the game, there is going to be an increase in demand for top talent in the field of blockchain development and cryptocurrencies.
- (d) Following an affirmative judgment from the apex court in India, the RBI would now be urged to better regulate the world of possibilities created by cryptocurrencies.

### **10.2 Problems regarding Cryptocurrency**

- (a) Hackers and malicious users can create as much as they want from virtual currency if they break the system and know the method of virtual currency creations.
- (b) Unlimited issuing of virtual currency in the variety virtual communities will lead to economic problems since its issuing is not based on the demand and supply.
- (c) Since some virtual currency systems are connected with real world monetary systems, they may affect the demands and supply facilities of real-world money.
- (d) Money laundering is one risk that is very likely to rise with the use of VC.
- (e) Since creating an account in most virtual currency platforms, such as social games and social networks, is not authenticated, financial transactions cannot be monitored very well.

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**ABBREVIATIONS USED**

Abbreviation	Word/Phrase
CC	Cryptocurrency
VC	Virtual Currencies
RBI	Reserve Bank of India
CPU	Central Processing Unit
ICO	Initial Coin Offering
IPO	Initial Public Offering
ITO	Initial Token Offering
OTC	Over the counter
P2P	Peer-to-Peer
DLT	Distributed Ledger Technology
PoW	Proof of Work
PoS	Proof of Stake
BIS	Bank for International Settlements
ECB	European Central Bank
IMF	International Monetary Fund
IOU	Informal certificates of debt
CPMI	The Committee on Payments and Market Infrastructures
EBA	European Banking Authority
ESMA	European Securities and Markets Authority
EIOPA	European Insurance and Occupational Pensions Authority
FATF	Financial Action Task Force