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## Cryptocurrency impact & potential in Indian and global Scenario

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### ABSTRACT

Cryptocurrency systems enable secure online payments in the form of virtual tokens. Tokens are represented by ledger entries that are kept internally by the system. Cryptocurrencies have gained popularity due to the decentralized concepts they represent, as well as the potential for significant rewards, but their uncertainty remains high, and these assets have a larger risk of loss than many traditional investments. Users produce bitcoins by giving processing power to verify other users' transactions, a process known as mining. It is important to note that digital currency transactions are taxable in India, provided the person earning the gains is an Indian tax resident, and that the government is developing new financial technology in the form of digital currencies in capitalize on the benefits of block chain technology.

### INTRODUCTION

We have undeniably entered an era in which the Internet is considered a Basic Necessity. With the growing usage of Internet services into our society, the market required a new kind of payment, which was provided by Cryptocurrencies. Cryptocurrency is a type of binary data that may be used as a medium of trade while also storing ownership information. One after the other, the number of varieties, shapes, and volumes gradually increased. By assuming the shape of a 24/7 market and platform, cryptocurrency has undoubtedly transformed the industry and disturbed the typical working hours. The dreamers would like to know the possibilities of this new date money, as we perceive it as a new date currency. They have gotten approval from a lot of nations and companies all around the world, and the market is blowing it up even more. The study will begin by examining the worldwide scenario in relation to the same. With such tremendous potential and acceptability at many levels, the influence on the worldwide market is significant, and that is what we will investigate further. To summarize, we provide a possible peek into the future of cryptocurrencies. Even though it is now one of the most volatile markets in the world. The analyses and forecasts that we made may turn out to be beneficial.

Previously, India was regarded as a backward country that did not meet global requirements for cryptocurrency investment or trade. India, on the other hand, is rising in importance in the industry now. So much so that the Indian government's policies on the crypto market and cryptocurrencies generate major price fluctuations. We try to analyse the situation through research. India's position in the market, as well as the market's position in the country's economy. We attempt to remove the barriers that the country has placed in the way of economic growth. This brings attention to the large number of people in India who are investing and trading in the cryptocurrency market. People that got in early know that the industry is developing and that it still has a lot of potential, both as a market and in terms of the number of professions it brings with it.

Finally, we will conclude the paper with a set of Policy Recommendations that were reached after thorough and comprehensive discussions and a look back at prior laws enacted by the Government of India to see what the present and future hold. This will provide us with additional subjects to research the field in greater depth and draw better conclusions based on it.

## LITERATURE REVIEW

Cryptocurrency is a new generation of electronic payment that aims to solve two long-standing computer science problems: the double spending problem and the Byzantine Generals Problem. Consumers have demonstrated a strong interest in utilizing currency that is not regulated by official authorities since the release of the first cryptocurrency, Bitcoin, in 2009. Satoshi Nakamoto created Bitcoin, which is based on blockchain technology. By being more secure than previous forms of file sharing, blockchain technology stands out. Unlike traditional papers, which are transported from one server to another, blockchain documents are not sent from one server to another. Instead, data is concurrently uploaded to various servers. As a result, the information on the blockchain is more secure against hackers since it is not held by a single entity. Despite its popularity, Bitcoin is not yet an approved means of payment in India. The Reserve Bank of India had previously advised Indian residents against using bitcoin, claiming that it was linked to money laundering and terrorism funding. The RBI, on the other hand, placed a premium on private blockchain in 2014, issuing a financial stability study on the topic. "Indians can only become involved in peripheral involvement in crypto trading as far as foreign crypto exchange platforms are concerned," according to Shailak Jani's research. Indians find it impossible to interact with many of the main overseas crypto exchange platforms due to a lack of large-scale mining infrastructure and severe government controls on international money movement." The government, according to the Union Minister, does not intend to encourage the use of cryptocurrencies, but it recognizes blockchain to enable transactions without the need of middlemen. The primary worry for cryptocurrencies in India is the absence of rules. The future of cryptocurrencies in India will be decided in the next months.

The cryptocurrency market has grown at a breakneck pace. This market enables businesses to raise funds without the involvement of venture capitalists and to trade without the need to be listed on stock exchanges. Cryptocurrency's security is based on its capacity to protect against digital attacks. Its blockchain or public ledger technologies are built to prevent duplication. These systems keep track of ownership and transaction timestamps, preventing digital copying and consequently double-spending. To ascertain the transaction date, Bitcoin transactions are recorded by combining the digital signatures of all participants and a timestamp. This code is then disseminated to all nodes on the network, which are computers that are linked to the network and running the bitcoin network software. Only by documenting the transaction on the public ledger, often known as the blockchain, can bitcoin be given or received. Because each block that is validated is verified, the node (now the miner) earns a reward for his work, bitcoin mining is defined as the complete process experienced by each node. Miners are critical components of any cryptocurrency system. Miners oversee organizing unconfirmed transactions into new blocks and uploading them to the blockchain, which is a global database. Miners are rational profitseekers; thus, Bitcoin provides them rewards in the form of transaction fees and newly created currencies, known as mined coins, to encourage them to mine. Every block of the Bitcoin protocol that is validated adds fresh coins to the market. These coins are then delivered to the miner in exchange for his or her efforts and time. With time, this number falls, and there will never be more than twenty-one million bitcoins in circulation. Due to the restricted number of bitcoins, inflation will occur due to an overstock of bitcoins. Bitcoin and other cryptocurrencies are thought to be impervious to inflation brought on by changes in national government policy or legislation. As a result, it is a secure location for investors to put their money because the value does not depreciate owing to inflation.

One of the current issues with cryptocurrencies is that a computer catastrophe might wipe out one's digital riches, and that a hacker can ransack a virtual vault. Hacks targeting major bitcoin holders who do not maintain their security standards up to date are common in the cryptocurrency world. Digital hacks are one of the primary causes for the decline in the value of these currencies, and they do the greatest harm to the cryptocurrency's reputation. Various technology advancements may be able to overcome them in the future. The main problem with cryptocurrencies right now is that as they get more popular, they will be exposed to more regulation and government scrutiny, weakening the very foundations upon which they are built. Even though the number of shops accepting cryptocurrency has steadily expanded, they remain in the minority. For cryptocurrencies to become widely utilized, they must first win consumer approval. However, many individuals will be put off by the greater complexity of cryptocurrencies compared to traditional currencies. Cryptocurrencies that want to join the mainstream banking system may have to fulfil a stringent set of requirements. It would have to be mathematically complex (to avoid fraud and hacker assaults) but still being simple to understand for users; decentralized yet with sufficient consumer protections and protection; and retain user anonymity without serving as a conduit for tax evasion or money laundering. Despite the popular notion of Bitcoin as a totally decentralized system, rule modifications (or disambiguation) are necessary, implying that some kind of governance is required to preserve Bitcoin's real-world consensus. Bitcoin functions such as protocol upgrades and incident resolution are not supposed to be decentralized, and as a result, they require some form of control. The Bitcoin Foundation provides a basic organizational structure and raises a small amount of funding through donations that is used to support the development team. The de facto governance is currently provided by the core developers of bitcoin who maintain bitcoin, and the Bitcoin Foundation provides a basic organizational structure and raises a small amount of funding through donations that is used to support the development team. Because of its limited quantity and the lack of a central bank to oversee it, Bitcoin investors pay a high premium for volatility. The scarcity of Bitcoin gives it its worth. There are currently 18.7 million bitcoins in circulation, approaching the maximum capacity of 21 million.

There were 1564 Cryptocurrencies traded on 9422 exchanges in 2018. The whole market is worth up to \$300 billion dollars, with at least 18 billion dollars traded every day. With roughly 40% of the population having access to telecommunications, India was viewed as a small center for bitcoin trading in 2012. By 2013, bitcoin had grown in popularity among the general public, and some companies had begun to accept it as a means of payment. Over time, several cryptocurrency exchanges sprang up in India, starting with pioneers like BtcxIndia and Unocoin, and then Zebpay and Koinex. By the end of 2013, India has established itself as a crypto-economic hotspot. The other technique employed in India is the peer-to-peer (P2P) system, which has two key

players: Paxful, which was founded in 2015, and Local Bitcoins. People began using cryptocurrencies to avoid taxation in 2016 as a result of demonetization. KYC requirements, including the use of a Pan Card and an Aadhar Card, were later made essential as a result of this. From 2018-2020, there was also a restriction on purchasing and selling cryptocurrency. The prohibition was eventually overturned by the Supreme Court. Profits from trading the same are referred to as capital gains and are hence taxed. Furthermore, the Indian Finance Ministry is doing research about imposing a GST on the same.

The Government of India and the Reserve Bank of India see cryptocurrency as any other foreign money used within India's borders. The use of the same in India is usually considered as a murky area. It was discovered that after it was deemed illegal, it was being traded on the dark web. Another key aspect that has caused the government to be concerned is the anonymity of the digital realm. This legislation does not apply to middlemen or third-party transactions. In addition, no specific degree of investigation has been established for the offences.

Cryptocurrency has been identified as a source of interest among the 28-29 age range, with 2019 showing that over 80% of the youth are adopting fintech in some capacity. The epidemic and the lockdown, according to the biggest participants, have increased the market's momentum and the number of persons associated with it. With the growing popularity of this industry and the growing number of individuals involved, a robust regulating agency is required, since India has first-hand experience with the economic consequences of unregulated trading markets.

In his research, (Jani, 2018) discusses the emergence of cryptocurrencies in India. India, which has a population of over 1 billion people, has enjoyed an economic rebirth in recent years. The same can be said for economic growth, since more than 40% of the population has access to the internet and telecommunications services. Small-scale bitcoin transactions were already taking place in India as early as 2012, according to the report, and as bitcoin passed through its developmental stage, it began to acquire appeal not just in India but also in many other nations. Kolonial, a vintage era pizza store in Worli, Mumbai, was one of the first companies to accept bitcoins as payment in 2013. Then came the emergence of a slew of crypto exchanges, including btcindia, zebpay, and koindex. Apart from these online crypto exchanges, several bitcoin ATMs have been set up in key Indian cities, according to the study. Another important topic covered in the paper was Prime Minister Narendra Modi's 2016 demonetization, in which he demonetized about 86 percent of India's paper currency by replacing all Rs.500 and Rs.1000 series banknotes with new Rs.500 and Rs.2000 banknotes. People with large cash holdings needed a new way to hold the same wealth in multiple forms without incurring or having to pay any taxes on it to the government, which bitcoin and other cryptocurrencies provided. People brought Bitcoin or another cryptocurrency as a consequence, which they then sold to launder the same money.

(Mubarak, 2021) discusses the RBI's stance on cryptocurrencies in his paper. The Reserve Bank of India (RBI) issued a prohibition on cryptocurrency transactions in 2018. They recommended that everyone who mines, creates, disposes, transfers, sells, keeps, or deals in cryptocurrencies be sentenced to ten years in jail. Later that year, India's Internet and Mobile Association filed a lawsuit with the Supreme Court, challenging the validity of crypto currencies and seeking a directive or restriction on their use. Therefore, the Supreme Court of India lifted the RBI's restriction on cryptocurrency trading in March 2020, allowing consumers to trade cryptocurrencies. Recently, the RBI proposed introducing a state-backed cryptocurrency called Laxmi in 2021, while outlawing private cryptocurrencies such as bitcoin. Furthermore, the government and the RBI are attempting to promote blockchain technology in the country's banking and payment systems. Finally, as of July 23, 2019, bitcoin is not regarded legal money in India.

As a new issue, cryptocurrency has piqued the interest of developers, investors, and scholars in recent years. In layman's words, cryptocurrency is an encrypted peer-to-peer network that permits digital trade and was first conceived eight years ago. While it may be fanciful to imagine that bitcoin will replace the global financial system, it has the potential to alter how internet-connected global markets interact. It will establish a free-flowing trading system with no third-party monitoring and no commissions. Bitcoin has value because its supply is restricted, and its users believe that if they accept it as money, they will be able to spend it elsewhere to buy anything they want. In other words, cryptocurrency lacks value until and until it is trusted and accepted by its users. When contrasted to bitcoin and the technologies it relies on, current financial technology may appear to be archaic. Unless specific reforms are made immediately, cryptocurrency will undermine global economic and financial systems. Cryptocurrency grew in popularity as a result of widespread use, which was only made feasible through vendor and user acceptance, as well as innovation. In some ways, cryptocurrency can be considered an evolution of the old currency because it eliminates all the inefficiencies of the old system by eliminating the need for a third party, eliminating the need to worry about plausible inflation, and providing a currency that can be purchased and sold quickly while still being used globally. However, with so much flexibility in how cryptocurrencies are used, there are sure to be certain flaws and hazards. The most widely held belief is that it is vulnerable to assaults since it is a semi-anonymous public ledger with dubious security. Certain cryptocurrency exchanges that are not vigilant in deploying security patches, fixing flaws, and running obsolete programmes may be hacked, resulting in significant sums of bitcoin or other big cryptocurrency being skimmed from the exchange. Even though the exchange is to blame, the harm done to the cryptocurrency and its adoption by the general public is significant. Because it flourished from illegal drug trades at its inception (people benefiting from crypto's semi-anonymity and lack of government surveillance), bitcoin has had questionable security since its inception. Another problem of bitcoin is that it is seen as a commodity rather than a currency, resulting in substantial changes in its market value from time to time, as well as the inability of someone buying a large quantity of it without altering its value.

One interesting fact about cryptocurrency is that it is treated as a commodity gold, so just as gold's value rises whenever an event threatens the global market's equilibrium, crypto's value rises when the global market's equilibrium is threatened, with the only condition being that people trust the cryptocurrency system in the same way they trust gold. Some individuals have even created their own trading models to see if herding patterns affect bitcoin price movements. These researchers discovered that, while digital currencies provide great potential rewards and investor anonymity, they also have considerable market volatility, making them vulnerable to speculative bubbles and price bubbles. Everyone is trying to figure out what causes are behind the irregular price fluctuations of crypto currency. While there is some evidence of herding in the crypto market, these researchers discovered that there are two sorts of traders/investors in the crypto market: heterogeneous traders/investors and herders (herd). Herders are trend chasers who participate in movement behaviors, whereas heterogeneous traders trade crypto currencies to maximize their profit. People are now attempting to anticipate future price movements of crypto currencies by establishing their own methods, systems, formulae, frameworks, algorithms, and so on, based on all these facts and critical insights. Crypto enthusiasts use it to encourage people to believe and invest in cryptocurrency, whilst crypto pessimists do it to demonstrate that cryptocurrency is at best a one-er. Several academics are attempting to anticipate crypto values using machine learning and examining several crypto currencies with specific properties. They concluded that, while it was difficult to anticipate price movements of the whole cryptocurrency market at the same time due to the diverse features of distinct crypto coins, price movements of specific crypto coins could be predicted. Several academics are attempting to anticipate crypto values using machine learning and examining several crypto currencies with specific properties. They concluded that, while it was difficult to anticipate price movements of the whole cryptocurrency market at the same time due to the diverse features of distinct crypto coins, price movements of specific crypto coins could be predicted. However, these researchers emphasized that their study had limitations because they overlooked important critical points/factors that may have made finding a solution conceivable. So, while cryptocurrency is a new market, investors are eagerly monitoring and researching it, and select individuals who wisely invest in crypto are earning from it. Only time will tell whether the crypto markets are here to stay or simply a phase

## **RESEARCH OBJECTIVE**

The paper's broad goal is to investigate the Indian cryptocurrency sector. From a quick peek into the past, to current standards and market position, to a glimpse into the future, which, while unpredictable, may have a pattern to fall back on. In a more limited sense, the two goals are:

1. A Review of India's Cryptocurrency Situation
2. Evaluate the effects, credibility, and potential of cryptocurrency in the global market.

## **RESEARCH METHODOLOGY**

This section outlines the technique that our group used to complete our purpose of analyzing the impact and viability of cryptocurrency on the global and Indian economies. Because the market is open 24 hours a day, seven days a week, this article is entirely reliant on secondary data. We looked through a lot of papers to have a fundamental understanding of the market before moving on to a qualitative investigation.

We analyzed data from a variety of forums, media companies, and publications in order to first grasp the market's distinct divisions and sections. Then, having a thorough grasp of the subject, we analyzed the research papers and several publications on the subject. Today, every media outlet and economic magazine is writing about cryptocurrency, therefore we compiled a list of some of the most recent studies.

Since the crypto market includes so many dynamic elements, the whole research is based on qualitative analysis. Despite this, we attempted to analyse the quantitative and statistical aspects in the entire text using our little expertise of the topic.

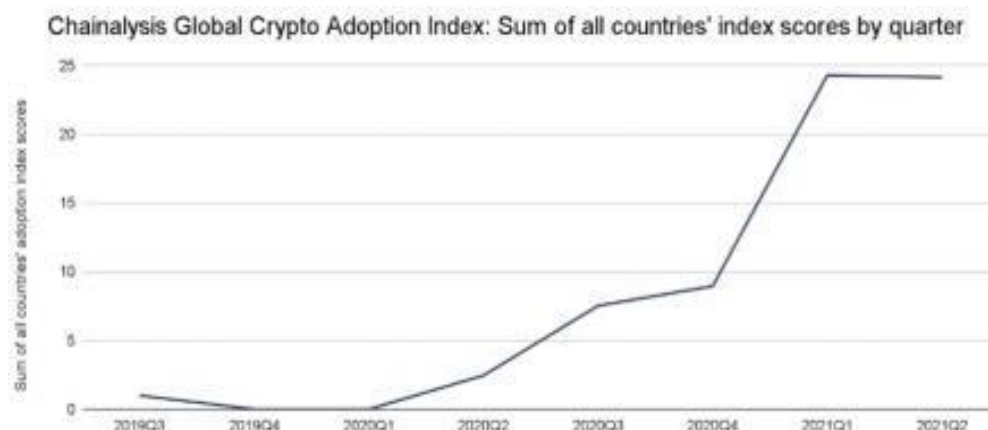
## **RESULTS, ANALYSIS & INTERPRETATION**

### **5.1 : To analyze the global impact, acceptance, and potential of cryptocurrency**

#### **GLOBAL IMPACT OF CRYPTOCURRENCY**

Cryptocurrency systems enable secure online payments in the form of virtual tokens. Tokens are represented by ledger entries that are kept internally by the system. Cryptography refers to a variety of encryption algorithms and cryptographic methodologies, such as elliptical curve encryption, public-private key pairs, and hashing functions. Cryptocurrencies have gained in popularity because to the decentralization concepts they represent, as well as the potential for significant rewards, but their volatility remains high, and these assets have a larger risk of loss than many traditional investments.

The global popularity of bitcoin has grown in the recent year, according to Chainalysis statistics. With Vietnam, India, and Pakistan leading the way, the adoption rate has climbed by 881 percent. The Global Crypto Adoption Index, created by the block chain data business, ranks 154 countries based on metrics like as peer-to-peer exchange trading volume rather than gross transaction volume.



Country	Index score	Overall index ranking	Ranking for individual weighted metrics feeding into Global Crypto Adoption Index		
			On-chain value received	On-chain retail value received	P2P exchange trade volume
Vietnam	1.00	1	2	4	3
India	0.37	2	3	2	72
Pakistan	0.36	3	12	11	8
Ukraine	0.29	4	5	6	40
Kenya	0.28	5	28	41	1
Nigeria	0.26	6	10	15	18
Venezuela	0.25	7	22	29	6
United States	0.22	8	4	3	109
Togo	0.19	9	42	47	2
Argentina	0.19	10	17	14	33
Colombia	0.19	11	23	27	12
Thailand	0.17	12	11	7	76
China	0.16	13	1	1	155
Brazil	0.16	14	7	5	113
Philippines	0.16	15	9	10	80
South Africa	0.14	16	16	18	62
Ghana	0.14	17	37	32	10
Russian Federation	0.14	18	6	8	122
Tanzania	0.13	19	45	60	4
Afghanistan	0.13	20	38	53	7

The graph above indicates that many nations are adopting cryptocurrencies at a faster rate. As a result of the increasing number of individuals investing in cryptocurrencies, several governments are beginning to build a regulated framework for cryptocurrency use.

### GLOBAL ACCEPTANCE OF CRYPTOCURRENCY AS A METHOD OF PAYMENT

Cryptocurrency is becoming more widely accepted across the world. Despite the fact that Bitcoin is becoming increasingly popular throughout the world, the ability to spend it is limited because of its volatility. However, a rising number of businesses are allowing clients to pay for goods and services using Bitcoin as an official means of payment. Here are a few examples:

#### STARBUCKS

Starbucks allows users to use the Bakkt app to pay using Bitcoin that has been converted. Customers may utilize this payment gateway to convert Bitcoin into US dollars, which they can then reload onto Starbucks Cards stored in the app.

#### PAYPAL

Bitcoin, Ethereum, Bitcoin Cash, and Litecoin are among the cryptocurrencies that PayPal clients in the United States may buy, trade, and keep. Users may also track cryptocurrencies using the PayPal app. The only drawback is that money cannot be moved out of the company's digital

wallet. Since August 2021, the firm has permitted its customers in the United Kingdom to trade in Ether, Litecoin, and Bitcoin.

## **COCACOLA**

Amatil, the beverage giant's bottler, and distributor in Asia-Pacific, has enabled bitcoin as a payment method thanks to its relationship with the Centrapay platform. In Australia and New Zealand, almost 2,000 vending machines are set to take bitcoin as payment for beverages by 2020.

## **AXA INSURANCE**

It allows its clients in Switzerland to pay their invoices with Bitcoin. When the firm did market research in 2019 and discovered that roughly a third of respondents aged eighteen to fifty-five had either previously invested in bitcoin or were interested in doing so, they opted to embrace cryptocurrencies. Customers may pay their non-life insurance premiums using a reference number printed on their invoices, which is subsequently converted into Swiss Francs via the crypto exchange Bitcoin Suisse.

## **MICROSOFT**

Bitcoin may be used to pay for Xbox Live and Skype, among other Microsoft services. Microsoft has also introduced ION, a blockchain-based platform. It is a two-layered authentication mechanism based on the Bitcoin network that generates digital IDs instead of money to verify online identities.

## **ADVANTAGES OF CRYPTOCURRENCY**

### **Decentralization**

Cryptocurrencies have the advantage of not being controlled by governments. As a result, cryptocurrencies are traded all over the world, with no geographical restrictions. For example, Bitcoin may be used to enable low-cost money transfers for people wishing to send money worldwide, such as remittance payments. Eliminating intermediaries reduces the cost of money transfers and increases the speed of money transfers.

### **Supports financial inclusion**

Cryptocurrencies promote financial inclusion by requiring only a minimal technology investment in the form of internet connectivity and a digital device. Without cryptocurrencies, local fiat money must be swapped for US dollars or Euros, and then translated back into the target currency. The introduction of crypto currency will speed up and reduce the cost of the procedure.

It aids in the facilitation of international commercial involvement without the need for a bank account. Individuals and corporations may use cryptocurrencies like Bitcoin to conduct international commerce. Parties can sell things in return for Bitcoin, bypassing the need to set up a merchant account with a bank, as with standard e-commerce platforms. By operating as a quasi-bank account, cryptocurrencies have contributed in improving financial inclusion in several developing countries. This is feasible because anyone with access to the internet may download a Bitcoin wallet. This fictitious bank account may be used for both savings and day-to-day transactions.

### **Smart contracts**

With a transparent contract structure, cryptocurrency and smart contracts may go a long way toward improving societal trust and combating corruption. Citizens of a country, for example, can utilize publicly available data to monitor the use of state finances if it is used by the government. It would also allow for better fiscal allocations and tracking of government spending.

### **Cryptocurrency fosters trust, accountability, and transparency**

Cryptocurrency has the benefit of fostering trust, accountability, and openness. This allows counterparties to engage freely. Because the underlying block chain technology checks transactions using consensus processes, public and private key encryption, and hash functions, the person does not need to trust the counterparty. The underlying block chain and network, on the other hand, should be reliable.

### **Inflationary protection**

Inflation has caused the value of several currencies to depreciate over time. Every coin starts with a predetermined quantity. The number of every coin is specified in the source code of cryptocurrency, for example, there are twenty-one million Bitcoins issued in the world. Its value will rise as demand rises, allowing it to maintain pace with the market and, in the long term, help avoid inflation.

### **Mode of transaction that is cost-effective**

Transferring money across borders is one of the most common uses of cryptocurrencies. The transaction costs paid by a user are nearly negligible while using bitcoin. This is due to the removal of the necessity for third parties to validate a transaction, such as VISA or PayPal. Payment method that is less expensive and faster

Transactions may be completed considerably faster and at a lower cost using crypto currency than with standard bank transfers. By removing mobile payment operators and middlemen, crypto currency transactions can lower transaction costs and boost transaction speed.

## **LIMITATIONS OF CRYPTOCURRENCY**

The price volatility of various cryptocurrencies is a negative. This is since the value of money must be steady enough to prevent large financial changes during value transfer. Many cryptocurrencies are transitioning from a decentralized to a centralized structure, which may limit the benefits of cryptocurrencies' total financial independence. Cryptocurrencies may need to be confined by national borders in the future to gain political support and allow governments to maintain monetary sovereignty by controlling economic parameters. This would result in a centralized cryptocurrency system that is controlled by the government, negating many of its advantages.

Authorities find it impossible to maintain track of any user's data or trace them down by their wallet address since bitcoin transactions are very secret and secure. In the past, Bitcoin has been used to exchange money in a variety of illegal activities. Some people use bitcoin to disguise the source of their unlawfully obtained funds by converting them through a trusted middleman.

Cryptocurrency mining is an extremely energy-intensive operation that needs a lot of processing power and electricity. The major perpetrator in this is Bitcoin. Bitcoin mining necessitates the use of powerful computers and a lot of energy. It is difficult to accomplish with a standard computer. Many bitcoin miners are in nations that use coal to generate power, such as China. As a result, China's carbon footprint has increased.

Cryptocurrencies are extremely safe, but exchanges are not. In order to properly operate their user ID, most exchanges keep user wallet data. This information might be stolen by hackers, allowing them access to a huge number of accounts. They can quickly move funds from those accounts once they have access.

## **POTENTIAL OF CRYPTOCURRENCIES**

### **Regulation**

Since the technology is still in its early stages, cryptocurrencies have yet to have a significant impact on the growth of poor countries. Cryptocurrency use is still restricted in these nations, and the positive impacts of cryptocurrencies will only be realized if universal adoption occurs.

The regulation of cryptocurrencies in developing nations can be beneficial to their future development and acceptance since these governments will determine the degrees of freedom and benefits that cryptocurrencies can enjoy. It is critical to guarantee that cryptocurrency legislation is well-balanced. They should not be so harsh that all advantages are lost, but they should be tight enough to prohibit any fraudulent behavior. Only governmental backing will allow for widespread use of cryptocurrencies.

A robust regulatory framework and political backing are required for cryptocurrencies to maintain a steady price level. It will aid in the mainstream adoption of cryptocurrencies once a steady price level is attained. Currently, cryptocurrencies only play a little part in assisting underdeveloped nations' growth. The future of development aid is highly dependent on the rules that are enacted, as well as the price stability and acceptance of cryptocurrencies that result.

### **Advances in Development**

The usage of cryptocurrency has the potential to significantly speed up the development of poor countries. Increasing financial inclusion or eliminating corruption by imposing social trust are two examples. It may enable individuals to use a variety of technologies, speeding up the pace of development. However, it should be highlighted that fulfilling this potential will be much more difficult than it appears, due to the limits.

The enhancement in financial inclusion for the populace in poor nations is a big benefit of cryptocurrencies. They may drastically reduce transaction time and costs, and they can function as a type of bank account that lets users to record and conduct daily transactions. Financial inclusion, on the other hand, raises several concerns. One concern is that, because bitcoin is not yet widely used, it must be traded for local fiat currencies. This must be done in order to leverage their worth to buy real-world goods.

Cryptocurrencies assist businesses in obtaining access to the global market, particularly when expanding. Even if the companies do not have an international bank account, their clients from

other countries can pay them in cryptocurrency. For example, a web developer engaged by a company outside of his nation can be compensated in cryptocurrency.

### **Cross-border payments**

Cross-border payments are now a particularly relevant use case for crypto currencies due to the reduced transaction time and cost. The Libra project, which was founded by Facebook, aims to substantially cut cross-border payment costs by utilizing block chain technology. Peer-to-peer lending, on the other hand, may soon exceed cross-border payments in importance as a result of a larger market, as peer-to-peer lending aids in the resolution of liquidity issues, particularly in developing nations.

### **Smart Contracts**

Ethereum may be advantageous in the domain of smart contracts, as cryptocurrencies are required to execute smart contracts as an incentive model for others to manage the block chains and underlying infrastructure. For these services, the cryptocurrency Ether is now the most preferred way of payment. These contracts may be used for a variety of purposes, and as a result, they are an important aspect in the future use of crypto currencies.

Another prospective use for smart contracts is the social security system. Unemployment benefits, for example, are currently handled by numerous levels of bureaucracy, for which the community must pay commission fees. These bureaucratic expenditures might be eliminated using smart contracts. Payments of social assistance might be connected to requirements set forth in the agreement.

## **POTENTIAL OF CRYPTOCURRENCY IN INDIA**

In India, cryptocurrency use is quickly gaining traction. Cryptocurrency investments in India surged by about 400 percent in a year, from \$923 million in April 2020 to nearly \$6.6 billion in May 2021. The Cabinet is now drafting a cryptocurrency bill that would create regulations on the topic.

India has the potential to lead future cryptocurrency breakthroughs. It might also be a new source of employment and economic growth. Several block chain initiatives with global ramifications are now being developed in-house. Polygon (Matic Network), located in India, is working on a protocol and architecture for connecting block chain-based networks, and is a major contender to address Ethereum's network issues. In terms of market capitalization, it is also among the top 20 cryptocurrencies. Other businesses like this will emerge, and we will be able to compete on a worldwide scale thanks to our diverse skill set. A locally developed DeFi (decentralized finance) solution that can complement the global traditional financial system and provide an alternative in the future can aid with financial inclusion.

### **5.2 : To study the concept and the status of cryptocurrency in India**

## **INTRODUCTION TO BITCOIN**

Bitcoin is a peer-to-peer cryptocurrency that is mostly used for monetary transactions via the internet. It is supposed to work in the same way as fiat money and commodities do. Bitcoins have no intrinsic value; their worth is established by the people who exchange them. Even though it was launched in 2009, Bitcoin has lately generated a surge of copycat currencies and even a fully working parody money in the form of doge coin. It has also aroused the interest of academics since it raises concerns about user privacy, wants information about its usage in transactions, and aims to better understand its ramifications as a payment system. Bitcoin, being a decentralized type of digital money, can function without the assistance of a central authority since it relies on encryption to secure cash transfers and maintain bitcoin circulation. Users produce bitcoins by giving processing power to verify other users' transactions, a process known as mining. Users hold bitcoin in a digital wallet, which functions similarly to a virtual bank account and allows them to send and receive bitcoins. The Financial Services Compensation Scheme (FSCS) in the United Kingdom, the Federal Deposit Insurance Corporation (FDIC) in the United States, and the Deposit Insurance and Credit Guarantee Corporation (DICGC) in India, respectively, insure physical currency and bank accounts, whereas bitcoins are not. Bitcoin's foundation is the block chain, which is a public ledger. Every 10 minutes, a new block would be added to the ledger. This ledger records all transactions as well as the number of bitcoins held at certain public addresses, each with its own encrypted key. The owner of the private key can only transfer the digital currencies held at that unique address. Each key has 51 characters, which is about the same length as a street address. To spend bitcoins, sign the transaction cryptographically using your private key and transmit the bitcoins to a different address.

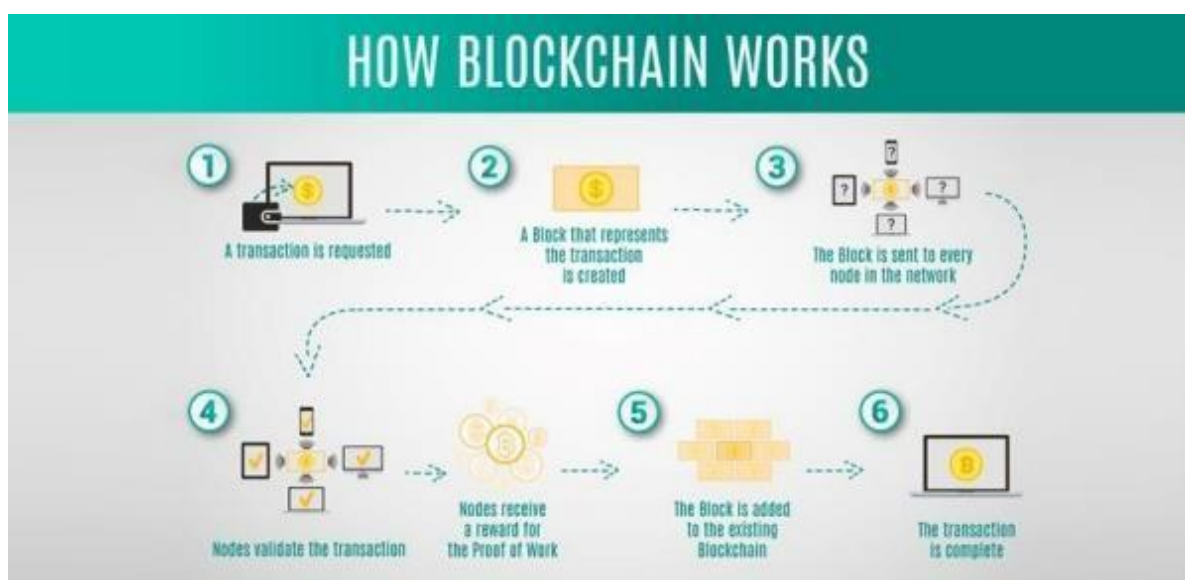
This transaction is then forwarded across the network, where the computers begin to record that the amount supplied to the address is no longer there, and the information is sent on to the receiving end. Miners are computers that worked on adding new blocks during this process. Each of these computers is trying to solve a cryptographic challenge in order to write the new block. The machine that solves the algorithm and generates the next block is rewarded with fresh bitcoins.



## **BLOCK CHAIN TECHNOLOGY**

Bitcoin is built on the block chain technology. Block chain is a distributed, decentralized database that aims to provide a verifiable record of events that other members of the network may rely on. Members of a block chain network can consent to updates to the shared database without needing to trust the network administrator or any other member. Participants in the Block chain network each have their own data storage space, which contains all data put into a cryptographic chain of blocks, also known as a distributed ledger.

During each step, the networks of participants must agree to the most recent block of transactions, which is accomplished by a mass consent mechanism that removes duplicate entries and expenditures. This procedure, in combination to cryptographic stacking of blocks, makes the block chain irreversible and unchallengeable, implying that no one may change the data inside the chain without the group's permission. This criterion can prohibit users from replicating the same block again by preventing duplication/double spending without the need of a centralized ledger or a third party. As a result, block chains may be used to move assets and data without relying on trustworthy institutions. The ability of block chain technology participants to independently check the stability of the shared database without relying on a third party is a fundamental value proposition. By making action inside a system independently verifiable by participants, boosting accountability, and deterring misbehavior through public audits, block chains have the potential to bridge trust gaps. To put it another way, block chain laws can effectively prohibit the sorts of unlawful transactions or deceitful behavior that are all too common in today's industry and society, such as money laundering.



## **RISE OF CRYPTOCURRENCY IN INDIA**

Prime Minister Narendra Modi announced the implementation of the demonetization strategy in November 2016. Demonetization wiped out about 86 percent of Indian paper cash, shocking the Indian population. Large cash holders required a mechanism to keep their money without being taxed heavily or subjected to government scrutiny. Some people started buying big amounts of Bitcoins or other cryptocurrencies and then selling them later. They were able to evade paying taxes if their money had moved through banks because of this. The mainstream Indian financial industry was also widely chastised as a result of demonetization. A single government edict declared 86 percent of the paper money in circulation useless in less than 24 hours. As a result of this lack of support, Indians began to look for alternatives to fiat currency. Bitcoin and other decentralized cryptocurrencies were the next best option they discovered. Later, those having internet connection began to invest in the same. While the demonetization of cash in 2016 encouraged some people to adopt cryptocurrencies, the markets' expansion was hampered. Due to extraordinarily high cryptocurrency prices and a government crackdown spearheaded by the Reserve Bank of India, a huge country like India contributes just 2% of the entire global bitcoin market valuation. In India, market rates for cryptocurrencies might be up to 10% higher than worldwide rates. As a result, Indians may only trade cryptocurrency on overseas markets through crypto exchange platforms. It is difficult for Indians to deal with major overseas crypto exchanges due to a lack of access to large-scale mining and restrictions imposed by the Indian government on sending money outside. Although the Reserve Bank of India (RBI) has repeatedly cautioned citizens about the dangers of cryptocurrencies, the Indian government has not publicly endorsed them.

## **TRANSACTION OF CRYPTOCURRENCY IN INDIA**

Even after the government outlawed and declared cryptocurrencies illegal, India remains one of the largest markets for them, with the prohibition being lifted in March 2020. To assist investigate alternate means of purchasing and selling bitcoins, cryptocurrency merchants are engaging attorneys and chartered accountants. According to the Blockchain Foundation of

India (BFI), a lobby representing 45 cryptocurrency dealers, over 30 new exchanges have filed for membership in the previous two months. Furthermore, analysts argue that extending the prohibition may have led to unlawful activities like hawala - an illicit means of money transmission popular in South Asia and elsewhere - adding to the development of black money.

## **RBI AND CRYPTO**

In terms of recent moves, the RBI has been a little shaky and may make a regulatory blunder. And it appears that they have done just that by launching their own cryptocurrency; however, this contradicts the point of crypto-currencies because they provide characteristics that fiat currencies do not, which is why people prefer them. Anonymity and alternate repositories of wealth are two advantages of crypto-currencies. Furthermore, unlike fiat money, which is regulated by the government, the supply of crypto is directed by pure arithmetic, which helps to prevent inflation caused by a sudden increase in the currency's supply. As a result, fractional reserve banking is inconvenient since currency trades or swaps are constantly required. Furthermore, outside of peer-to-peer permission, Bitcoin, Ethereum, and other crypto-currencies cannot be taken out of circulation for any reason. Indians avidly exchanged bitcoins and other cryptocurrencies after November 8, 2016, exactly because they were concerned about such a thing. Fiat cryptocurrency, on the other hand, may be destroyed in a matter of minutes at the whim of a tycoon.

## **GOVERNMENTS STAND ON CRYPTOCURRENCY**

After debating whether cryptocurrencies should be legalized or banned, the Indian government has made a step forward in regulating digital currencies in the nation. Companies must now declare crypto transactions during the financial year, according to the Ministry of Corporate Affairs (MCA). This may be considered as a significant step forward in India's regulation of cryptocurrencies, as well as a foundation for future taxes legislation. Crypto asset accounting can improve corporate governance through more public disclosures, in addition to reducing unlawful activity and eliminating black money circulation. The Centre has assured crypto stakeholders that digital currency would not be outright outlawed since it is still building a position on the topic. Nirmala Sitharaman, the finance minister, has stated that the Centre would not be closed to new technologies, but will be willing to experiment with them.

## **LIMITATIONS OF CRYPTOCURRENCY IN INDIAN CONTEXT**

1. Tax issues: Now, the income tax regulations are unclear about whether bitcoin profits are taxable. The potential of taxing bitcoin earnings has not been ruled out by the income tax authorities. An investor will be taxed on long-term capital gains or short-term capital gains depending on how long he or she owns the coin.
2. Speculative and risky: Because cryptocurrency plays such a large part in the establishment of a speculative market, not every cryptocurrency will provide investors with a positive return. The price of a cryptocurrency is determined in large part by speculation. As a result, while deciding on a price for a coin, risk comes into play.
3. Lack of regulatory body: Other nations have already responded to bitcoin use, however the Indian government has yet to establish a regulatory framework to regulate cryptocurrency transactions. As a result, many concerns such as scams, investor protection, and so on have been found. And tracking the operations of cryptocurrencies is difficult, whether for the Reserve Bank of India or any other central bank in the globe.
4. Reliability and security: Because crypto currencies are digital, they are a prime target for hacking, money laundering, terror funding, and other criminal activities. As a result, the populace is more entangled due to a lack of security expertise and a lack of trustworthiness.
5. Price Volatility and KYC Norms: Because cryptocurrencies are very volatile owing to supply and demand as well as speculation, an investor seeking to undertake a cryptocurrency transaction will need to fulfil KYC criteria, which may take some time for the wallet to authorize. Different wallets may take varying amounts of time to authorize, and it might take several days. Investors may miss out on profit chances in such instances since the value of the coins fluctuates frequently.

## **Government Initiatives**

There are around 1.5 crore bitcoin users in India now, according to Bloomberg, and Indians have invested \$923 million in cryptocurrency, which has lately risen to around \$6.6 billion. Even though the Indian government does not maintain track of the number of cryptocurrency investments and investors, there has been an exponential increase in crypto investors in the previous 1-2 years.

In India, there are currently no legislative restrictions on cryptocurrency investing, however it is not entirely banned. Bitcoin is the most popular cryptocurrency among Indian users, while other less popular currencies include Zeb Pay and Koindex. In the year 2013, Bitcoin became popular in India, and a pizza store was one of the first to accept it.

### **India's Cryptocurrency in its Early Stages**

Satoshi Nakamoto used the term "Bitcoin" to describe a peer-to-peer electronic currency system he invented in early 2008. With the continuous rise of Bitcoin throughout the world, additional cryptocurrencies such as Namecoin, Litecoin, and Swiftcoin have developed over time. With the rising popularity of Bitcoin, the cryptocurrency trade began in India in early 2012. In India, the growth of cryptocurrencies was still in its infancy. Various organizations gradually began to accept cryptocurrencies as a payment method, providing the much-needed depth and volume to the cryptocurrency trading and market in India. The usage of bitcoin in India surged at a rapid rate for around three years as new cryptocurrency exchanges and a slew of new start-ups.

### **The Beginning of High Cryptocurrency Investments in India**

The use and trading of cryptocurrencies exploded in India within a few years following the launch of Bitcoin. New crypto trading and exchange platforms, such as Unocoin, Coinsecure, and Btcindia, emerged as pioneers in India as the years passed. Later, Bitcoin-India, ZebPay, and more services were added to the list. The crypto sector in India has grown from a minor stage in 2013 to what it is now, thanks to the quick growth of crypto trading and exchanges.

In 2013, India's Prime Minister, Narendra Modi, abruptly announced a program of demonetization, with the goal of demonetizing around 86 percent of the country's issued paper money. The judgement was made public on November 8, 2016, causing widespread confusion, outrage, and unhappiness among Indian citizens. On the other side, this government decision helped a variety of persons, organizations, businesses, and sectors, including the cryptocurrency industry.

The government encouraged individuals to focus on digital payments when it implemented the demonetization policy. As a result, people began looking for alternatives to traditional paper cash and the internet banking system. As a result, the country's cryptocurrency adventure began. People began investing in cryptocurrencies in order to be safe and reduce the amount of uncertainty. People with large sums of money needed a new way to keep it without paying taxes to the government. Because the inhabitants believed that fiat money was not genuine money due to a lack of support, India began to explore alternative currency choices. As a result, individuals began to purchase Bitcoin, and other types of cryptocurrency investments began to take place. According to Chris Burniske, a bitcoin trade analyst, virtual currencies were monitored in 2017 and India was responsible for nearly 10% of worldwide VC activity, or 16,754.76 coins.

### **RBI Boycott on Cryptocurrencies**

A strong storm usually follows sunny days. Similarly, the Bitcoin craze was short-lived. The Indian authorities began to label cryptocurrencies as "ponzi schemes," associating them with money laundering and other activities.

On December 24, 2013, the Reserve Bank of India issued its first warning against the use of cryptocurrency, citing several concerns:

- VCs are frequently prone to hacking, password loss due to storage in a digital wallet
- The trade of VCs from peer to peer without any authorization could result in customers having no recourse if a dispute arises.

Two Public Interest Litigations (PILs) were filed at the Supreme Court of India in October 2017. One PIL proposed a full prohibition on the purchase and sale of cryptocurrencies, while the other proposed regulations for their usage and investment. The Reserve Bank of India restricted persons from trading in cryptocurrencies as on April 6, 2018.

### **Rise of Cryptocurrency Investments in India**

Following the filing of PILs in the Supreme Court, the government formed a committee to research cryptocurrency developments and draft legislation. Finally, the team produced a report suggesting that the country prohibit the purchase and sale of private cryptocurrencies. Fortunately, the Supreme Court of India declared the RBI's attempt to prohibit Bitcoin unlawful. This resurrected the dormant bitcoin industry and ushered it into the phases of recovery.

From March 4, 2020, there was a significant increase in cryptocurrency exchanges. Between 2020 and 2021, the price of Bitcoin increased by 700 percent. The Reserve Bank of India informed its people on May 31, 2021, that their 2018 banknote was no longer valid. As of now, this is regarded as an informal official stamp of approval from the country's official authority.

The Reserve Bank of India's stamp of approval is seen as a respite from placing a comprehensive ban on the usage, investing, purchasing, and selling of cryptocurrencies in the nation.

### **Indian Government's Stance as of Today**

The primary difficulty with cryptocurrency use is that the trading of cryptocurrencies is not regulated by the Indian government. Private currencies, according to the Reserve Bank of India, are a significant threat to the conventional understanding of cash and money. The Reserve Bank of India doubts the fundamental worth of cryptocurrency assets in comparison to gold. In 2021, the government intended to submit a bill to provide a legal framework for the usage of cryptocurrencies in India. Over the last several years, the government's attitude has shifted from a blanket prohibition to placing limitations on the purchase and sale of cryptocurrencies within the country.

### **Regulations and Bills**

The Indian government has opted against enacting a comprehensive ban on cryptocurrency use in the country. With the growing number of cryptocurrency investments in India, it is critical for the government to enact formal cryptocurrency rules. The forthcoming law will include the following provisions: - Taxation on digital assets

- Instead of being considered as currency, crypto tokens will be treated as digital sets.
- Cryptocurrency should be characterized by its technology.

Instead of entirely banning bitcoin, India's government would prefer to utilize blockchain. To facilitate searches, the database would record all cryptocurrency information electronically in a tabular fashion.

Cryptocurrency is regulated in several nations, including Switzerland, Singapore, and the United States.

### **Policy Recommendation**

Due to factors such as lack of interference from banking systems, universal recognition, ease of use and access, low-to-no transaction fees, and well-established system security, major recent developments in the cryptocurrency market have refocused attention on laws governing the cryptocurrency market globally. There are currently no regulations or laws governing cryptocurrencies, however several governments have sought to regulate them and have even proposed legislation to aid in this process. Any country's central bank has the collective authority to formulate and implement monetary policies in order to maintain low unemployment and price stability. The widespread use of digital currencies, on the other hand, would have a negative impact on the capabilities of central banks all over the world.

Many financial analysts believe that with the introduction of cryptocurrencies, central banks would be unable to conduct monetary policies as efficiently. Simply put, banks only use monetary policies to control the amount of money that circulates in a country's economy. Prior to the emergence of cryptocurrencies, the first of which was bitcoin, all money in the economy was fiat money, which was issued, administered, and regulated by each country's central government. As a result, the central authority has effective control over policy execution and money in circulation. Imagine if bitcoin becomes the new wave, and that people begin to accept it as a common and viable payment mechanism alongside other fiat currencies. Because people in the economy would be trading with bitcoin in their day-to-day activities, the central bank's capacity to regulate inflation would be hampered. To combat the cryptocurrency tsunami, one way would be for central banks and other banking institutions to switch to self-created digital currencies and hope that others follow suit. However, there are other possible solutions that we shall learn more about later. Digital currencies are increasingly gaining popularity in India. People in the country are actively exchanging cryptocurrencies for various purposes as you read this.

The important point to note here is that people believe in the potential of digital currencies even though there is no legal framework in place to regulate them. The Reserve Bank of India has made it plain to its subsidiaries that it is not a supporter of digital currencies for which it has no laws. It even sent out a notification to all entities instructing them not to deal with cryptocurrencies or support those who help the digital currency system, which was rendered obsolete by a Supreme Court ruling on March 4, 2020. People are concerned about the possibility of a ban on digital currencies in our nation because cryptocurrency is not acknowledged as legal cash. According to the report, roughly 7 million Indians have invested \$1 billion in crypto currencies as of today. Now the government must ensure that digital currencies and other financial technology are not misused and that they are allowed to thrive in India. Though one of the initial thoughts was to prohibit the use of digital financial technology in the nation, the ultimate decision was to regulate cryptocurrencies. The MCA (Ministry of Corporate Affairs) has even made it essential for corporations to disclose all activity linked to crypto investments and trading in each financial year. This helped to strengthen corporate governance and the detection of potentially illegal usage of digital financial technology.

The Centre has declared that it is open to evaluating new financial technologies and would not impose restrictions on them unless there is a compelling cause to do so. India currently lacks a regulatory framework for keeping track of the bitcoin market. It is worth noting that digital currency transactions are taxable in India, provided the person earning the gains is an Indian tax resident, and that the government is developing new financial technology (via the RBI) in the form of digital currencies in order to capitalize on the benefits of block chain technology.

1. Define cryptocurrency - Legislative authorities should take the required steps to define cryptocurrency in much greater depth in the law. There are no words in the legislation that clarify the current position of digital currency. The difficulty with merely describing bitcoin as a real money is that the true definition of cryptocurrency and its status as a real currency are mutually exclusive. If we believe that digital currency is a real currency, no new policies, regulations, or laws are required for these decentralized currencies, an assumption that would work against the government, promote illegitimate use of crypto, and provide no clues/information to keep the coin's movement in check.
2. Find Common Ground - If the government and digital currencies want to find common ground, the government must provide complete openness with the public regarding policies and actions implemented, as well as the scrutiny of all parties involved. To properly justify the legal status of digital currencies, as well as the miners, exchanges, companies, and consumers involved, a special set of regulations must be enacted. It is worth noting that there are already laws in place in the digital currency market that define the use of credit and debit cards for transacting (in the cryptocurrency world, user wallets and exchange platforms replace Visa/ MasterCard, changing the interpretation of credit and debit cards in the case of Crypto). Since these regulations already exist and have been carefully and realistically tested in the market, companies, users, exchanges, and miners understand them, and they will successfully serve as a framework for Cryptocurrency regulation. When it comes to the parties involved in the bitcoin market and the prospective framework that we are now discussing, it is recommended that the miners be left uncontrolled due to their predictable and passive actions. For miners, tax collection is the only activity that is monitored by government officials.

Involving the Cryptocurrency Community - while discussing crypto currencies from a financial technological aspect is important, the community of users must also be included and considered. Any government interference in the bitcoin chain might have a negative impact on how the cryptocurrency works or possibly jeopardize the cryptocurrency's uniqueness. As a result, government rules should not be so harsh that they undermine the objective of cryptocurrency and people's faith in it. All risks should be approached with caution, as inept harsh measures may discourage small firms and other users from doing business with it.

3. Regulatory Framework for Cryptocurrency Exchanges – One issue that has yet to be solved is the fact that the cryptocurrency market is unregulated, resulting in a multiplicity of flaws in its operation. One such problem is whether businesses who take digital currency as a form of payment or operate crypto exchanges are functioning within the legal bounds. Currently, the national and state governments, as well as the RBI, must adjust their approaches to virtual currencies. Even though cryptocurrency businesses are praised worldwide for maintaining a detailed confidential record of all transactions in their chain of operations, there are currently no legal requirements or policies in place for companies to hand over this transactional data or a portion of it to governments and other authorities. Although this may raise some eyebrows among these companies, it will increase customer trust in the industry. Guidelines and requirements should be established to assist (if met) businesses in obtaining a legal license for their operations, as well as to crack down on those who do not meet these requirements, as those who do may be using it for illegitimate purposes, outright scamming people, or even actively participating in money laundering. For the time being, it is unclear if bitcoin enterprises require a license to function in the economy. Alternatively, the licensing process could be eliminated from the country, or these policies could be revisited because they are nothing more than a hindrance to activities continuing unhindered, which may be too ambitious given that unchecked business operations may raise another significant issue. The ideal solution may appear to be to develop consistent regulatory and licensing requirements for all states in the country by enlisting the help of state authorities to put this into reality.
4. Consumer Protection - Because crypto currencies are virtual, the organizations that run crypto exchanges provide their customers online wallet services. While storing customer crypto wallets may be a lawful business proposition for exchanges, the government sees this as a risk to the economy. Because these wallet values are maintained on an internet server, it is unclear what path of responsibility will be followed to hold a party accountable if any customer's crypto wallet is hacked. As a result, this issue must be solved in order to ensure that digital currency activities run smoothly. Either an act outlining these exchanges' responsibility to consumers in terms of dealing with crimes and theft committed against them, or the exchange. The worldwide accessibility of cryptocurrency marketplaces is one of the major reasons for their acceptance by consumers all around the world. However, because of the worldwide reach of the coins without any changes in their value as they go through other locations and the limited quantity, one country's sting of operations has a direct impact on the other. As a result, if one nation buys crypto currencies, it will reduce supply in other countries. As a result, the stated policies apply to both the Indian government and other government systems around the world, because if synchronized regulatory acts and policies are enacted, the entire world will be viewed as a marketplace, and the marketplace will not be divided into parts specific to each country, as was the original intent of cryptocurrencies.

## **CONCLUSION**

To sum up, cryptocurrency has experienced significant growth in recent years, and it is reasonable to predict that it will continue to do so soon. Cryptocurrency has grown in popularity and acceptance throughout the world thanks to universal recognition and a decentralized structure. People have begun to assume that crypto might eventually

replace traditional fiat currency owing to its numerous advantages and benefits over traditional cash. Because of cryptocurrency's enormous growth, it has been able to employ many people through the establishment of positions such as price analyst, Blockchain developer, exchange managers, and many more. Due to its worldwide acceptance, ease of withdrawal, and ability to establish a cashless economy, cryptocurrency is also useful in reducing various obstacles in cross-border payments. Inflation has led many currencies' values to depreciate over time; one of the key benefits of bitcoin is that it helps to combat inflation. This is since demand for bitcoin is rising all the time, and as long as demand exists, prices will continue to rise. The volatility of cryptocurrencies may be viewed as both a benefit and a drawback since, while these assets have the potential for very big profits, they also carry a larger risk of loss when compared to many other traditional assets. As a result, the price volatility of cryptocurrency is substantially larger than that of conventional assets. The regulation of cryptocurrencies in developing nations can be beneficial to their future development and acceptance since these governments will determine the degrees of freedom and benefits that cryptocurrencies can enjoy. With widespread use, the prices of these cryptocurrencies can be pushed down to a more stable level. The laws that will be enacted will have a significant impact on future development funding. This may be accomplished by various nations' political backing, as well as by assisting various governments in developing a suitable framework for the same.

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