

# Decision on Cryptocurrency

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**Abstract-** A cryptocurrency is a digital currency that relies on networking for every transaction. It follows peer to peer version of electronic cash that can allow online payments to be sent directly from one party to another without any involvement of financial institutions or any other centralized authority. To prevent any fraudulent activities a decentralized system relies to record and oversee transactions. The thesis shows a present situations and the regulation of digital currencies in India. Despite gaining worldwide popularity and various other legal restrictions, it is regularized and gains its momentum. All circulars, challenges, and circumstances are being highlighted below on the matter of digital currencies.

**Keywords-** circulars, cryptocurrency etc .

## I. INTRODUCTION

A cryptocurrency is a tradable digital currency, built on blockchain technology. The technology serves as a ledger to record crypto deals. A currency of complex codes, secured by cryptography. Crypto is a term meant for maintaining a secret. Hence, cryptocurrencies uses encryption to authenticate and protect transactions.

## II. HISTORY

In the year 2008, following the financial recession where the combination of banks unable to provide funds to businesses, and homeowners paying down debt rather than borrowing and spending, a person or group of people pseudonymously named as Satoshi Nakamoto released the white paper or a guideline, "Bitcoin- A peer-to-peer Electronic Cash System".

The first decentralized cryptocurrency that solved all the double spending problems. Bitcoin software uses a mining technique due to which new bitcoins are created made available to general public. However, the anonymous person is still a mystery for many.

A bitcoin is the first to be established as a cryptocurrency but it was not popular at all. There were many attempts been made on online currencies ledger previously like B-Money and Bitgold which remain unsuccessful due to its low functional features. Few technical people have been practicing their regular computers and laptops to mine a bitcoin in order to maintain privacy. However, in reality, there was no trading and transaction

It wasn't until May of 2010 that first bitcoin transaction occurred for a tangible asset. In 20<sup>th</sup> May, a man bought two pizzas for the price of 10, 000 bitcoins. His name was Laszlo Hanic. This transaction made the bitcoin a legitimate currency. Following this people started to take

notice in 2010. A man by the name of Jed McCaleb released the Mount GOx Bitcoin exchange where people can buy and sell Bitcoin and at one point. In 2014, Mount Gox accounted for 70% of Bitcoin transactions but in 2014 Mount Gox failed as 7, 40,000 bitcoins lost. Bitcoins were lost and never seen again and during the time people realize that this digital currency actually can be used.

On 6 August 2014, the UK announced its Treasury had commissioned a study of cryptocurrencies, and what role, if any, they could play in the UK economy. Its final report was published in 2018, and it issued a consultation on cryptoassets and stablecoins in January 2021.

In June 2021, El Salvador became the first country to accept Bitcoin as legal tender. In September 2021, the government of China, the single largest market for cryptocurrency, declared all cryptocurrency transactions illegal.

In India, there is no regulation or ban on the use of cryptocurrencies. The government has not yet clarified whether cryptocurrencies be considered as legal tender in India. As of November 2021, according to the library of congress, there are only 9 countries in the world that has an absolute ban on cryptocurrencies: Algeria, Bangladesh, China, Egypt, Iraq, Morocco, Nepal, Qatar, and Tunisia

## III. INDIA AND CRYPTOCURRENCY

The use of cryptocurrency has always been a point of argument. Its reality and legality still a mystery among common people hence citizens were advised against transacting with these currencies. According to reports, there are more than 100 million crypto investors in India. A much bigger number than in any other countries. The second comes USA with 27 million.

The following table displays the list of countries having maximum investors:

Sr. No.	Country Name	Total Investors
1	India	100 million
2	USA	27 million
3	Nigeria	13 million
4	Vietnam	5.9 million
5	UK	3.3 million

Since 2013, various warnings were issued by the RBI through its press releases regarding the potential risks on the use of cryptocurrencies to the financial system of the country. The inter-ministerial committee on February 28, 2019 had also released a report recommending certain measures in relation to cryptocurrencies. This committee also prepared a draft bill know as Crypto Token and Crypto Asset Bill, 2018. The bill is under consideration of the cabinet for its finalization. Today, every government controls the monetary system of its country through their country's central banks.

And because bitcoin and cryptocurrencies are so decentralized they are out of controls of the governments. In April 2018, the RBI issued circular banning regulated financial institutions from providing services to businesses dealing in exchange of cryptocurrencies, which put the entire Indian cryptocurrency trading industry in turmoil. The validity of this ban was legally challenged before the Supreme Court in various written petitions lead by crypto-trading entities. And the Supreme Court in its landmark judgment struck down this circular in March 2020.

The Supreme Court held that the business opportunities from crypto exchanges are threatened by the ban. And banning everything is not the solution. They accepted that there are negative points related to cryptocurrencies like money laundering, ransomware attack and scams. So definitely money laundering, attacks by hackers, terror financing are different legit concerns regarding crypto. These are cited as the reasons why there's a strong need of proper regulations.

According to the Enforcement Directorate of India, 40 billion rupees was laundered outside of India in the year 2021 by using cryptocurrencies And finally government has started to understand this point. That's why there are discussions on framing regulations for it. Time will tell what these regulations would entail

#### IV. SCOPE OF BLOCKCHAIN TECHNOLOGY

Blockchain technology is also referred as Distributed Ledger Technology (DLT). It marks revolutionary changes in technical field by providing unalterable and transparent digital asset. It is a kind of database that stores encrypted blocks of data then chains them together to form a chronological single source of truth for the data.

The list below mentions the benefits of such technology:

- Immutable record of assets
- Decentralized assets
- Integrity
- Transparency
- Security

By observing the above benefits we can conclude that blockchain technology can become a prime technology for a huge populating nation. It can be implemented in various sectors in the country. The impact of such technology would be the transparency and fairness which can also save our time and money.

In India, bitcoin is especially popular in finance however it can be use for logistics, BFSI industry, and real estate industry and even in government use cases by providing a level of security and incorruptibility. RBI is also looking to launch its first official digital currency as a regulated "central bank digital currency (CBDC) starting 2022-23.

The digital assets issued by RBI will be the legal tender. The government may allow you to retain crypto as an asset but prohibit as it may lead to illegal black market trading in international markets.

#### V. PROPOSED SOLUTION

The question arises,

- What kind of crypto regulations would be introduced?
- What regulations would benefit the country?
- Does banning a cryptocurrencies can help the country?
- Would it be beneficial to make digital assets as a legal tender for the country?

We might get an answer if we understand the crypto regulations around the world. Overall in most countries, the rule is that cryptocurrencies are accepted as digital assets and commodities. And they are even taxed. But there are other countries like china it has complete ban on cryptocurrencies.

Following El Salvador would be quite extreme as they have open regulations. And it could bring unexpected risks. But the steps taken by the other developed countries in Europe or, the USA, if such regulations are framed, then it would be the best option for the country. And it would be good option for crypto investors as well. The negative points of cryptocurrencies money laundering, ransom ware attack and scams can be prevented through processes such as Know Your Customers (KYC). At the same time, in future, the potential of crypto-innovations would increase, and it would be fostered in the country.

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