



## **“THE STUDY ON CRYPTOCURRENCY'S IMPACT ON THE INDIAN ECONOMY”**

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### **Abstract**

*The aim of this study is to examine the reasons for the rise of cryptocurrency in India and to outline the possible advantages and disadvantages of its adoption for the country's economy. Design, technique, and approach: To characterise the influence of cryptocurrencies on the Indian economy, descriptive research is being conducted. The basic data, which covers attitudes, views, and cryptocurrency usage, is gathered from a survey of 700 Indian consumers. The survey is disseminated by email and social media, and it is completed online utilizing a web-based platform. Results - Cryptocurrencies have the potential to lower transaction costs for cross-border transactions, offer a new route for investment, and help the unbanked population become financially included. Additionally, it can stimulate foreign investment in India's economy and advance its technological advancements. On the other hand, there are worries about the usage of cryptocurrency in illegal activities including financing terrorism and money laundering. Originality: It's yet unclear how cryptocurrencies will affect the Indian economy. It offers opportunities as well as challenges, but in order to maximise the potential advantages while minimising the dangers, a cautious and balanced approach is required. To find out the true benefits that investors in cryptocurrency are receiving, however, more empirical research must be conducted in the future.*

*KEYWORDS: investors, cryptocurrencies, consumers, financing, economy.*

### **Preface:**

Cryptocurrency is a form of digital or virtual money that is uncontrollable by governments or central banks and employs encryption for protection. Bitcoin is the first and most well-known cryptocurrency. It was developed in 2009 under the pseudonym Satoshi Nakamoto by an anonymous individual or group. Thousands of more cryptocurrencies have been developed since then, each with special characteristics and possible uses. In contrast to conventional currency, which is managed by governments and central banks, cryptocurrencies are peer-to-peer networks that are decentralised. A distributed network of nodes verifies transactions, which are then documented on a block chain, a type of public ledger. Transactions become transparent as a result, and once they are recorded, they cannot be changed.

Cryptocurrencies can be exchanged as commodities, bought and sold on exchanges, or used to pay for products and services from businesses that accept them. While some regard cryptocurrencies as a chance for speculative investment, others see them as a means of taking part in a decentralised economy that functions independently of conventional financial institutions. The use of mobile devices and digital payment methods has grown in India in recent

years, which has contributed to the rise in popularity of cryptocurrency. Furthermore, bitcoin has been viewed as a possible substitute for established banking institutions, especially for people who lack or have insufficient bank accounts.

**Need of the study:** There has been discussion and disagreement on the usage and effects of cryptocurrencies in India. In India, cryptocurrencies are still a relatively new and unproven form of money, despite their increasing popularity among particular demographics.

### **Literature Review:**

Blockchain technology is used by cryptocurrencies to facilitate decentralised, frictionless transactions, which eliminates the need for middlemen (Tapscott & Tapscott, 2016). Cryptocurrencies have the power to transform conventional financial services by doing away with middlemen like banks and payment processors (Christidis & Devetsikiotis, 2016). For the unbanked and underbanked populations in developing nations, cryptocurrencies can offer access to financial services (Narayanan et al., 2016). With their ability to facilitate smooth cross-border transactions, cryptocurrencies may help to lower the costs and delays related to international transfers (Yermack, 2015). Tokenising real-world assets like real estate and artwork is made possible by cryptocurrencies, which may lead to an increase in accessibility and liquidity (Mai & Shin, 2018). New business models, including as decentralised applications (DApps) and initial coin offerings (ICOs), have emerged as a result of cryptocurrencies (Fisch & Chang, 2019).

In the literature, the regulatory landscape pertaining to cryptocurrencies has been a central theme. Understanding the legal status and taxation of cryptocurrencies has proven difficult in the Indian context due to early regulatory uncertainties (Chakrabarty & Kaur, 2018). The local cryptocurrency ecosystem was severely disrupted by the Reserve Bank of India's (RBI) 2018 circular, which forbade banks from offering services to companies associated with cryptocurrencies (Pattnaik & Meher, 2020). It has been suggested that cryptocurrencies can improve financial inclusion, especially in nations where a sizable portion of the population lacks access to banks. The potential of cryptocurrencies to reach the unbanked is in line with India's attempts to promote digital financial inclusion through programs like Aadhaar and the Unified Payments Interface (UPI) (Dey & Das, 2020). Banerjee et al. (2020) looked at the possible effects of cryptocurrencies on the Indian economy in another study. According to the report, cryptocurrency may improve financial inclusion and lessen reliance on conventional banking systems. The lack of regulatory control and the possibility of cryptocurrency being used for illicit purposes were also mentioned in the report.

### **Objectives of the study**

To investigate the acceptance of cryptocurrencies in India as it stands and the effects they are having on the country's economy.

To examine the elements influencing the rise of cryptocurrencies in India.

To study the impact of cryptocurrency on diverse sectors of the Indian economy, with finance, investment, and taxation.

### **Methodology of research:**

This study included qualitative and quantitative research methodologies in its methodology. The purpose of the study is to investigate how cryptocurrencies are affecting the Indian economy by reviewing previous research and analysing original data. The main source of data for this research is a sample of 700 customers' attitudes, beliefs, and cryptocurrency usage.

### **Data analysis and interpretation**

**Table No :01. Demographic profile of the cryptocurrency users in india.**

| <b>Attributes</b>            | <b>No of Respondent</b> | <b>%</b> |
|------------------------------|-------------------------|----------|
| <b>Gender</b>                |                         |          |
| Male                         | 497                     | 71%      |
| Female                       | 203                     | 29%      |
| <b>Age</b>                   |                         |          |
| 18-25                        | 345                     | 49%      |
| 26-35                        | 255                     | 36%      |
| 35-45                        | 78                      | 11%      |
| 46and above                  | 22                      | 3%       |
| <b>Education</b>             |                         |          |
| Graduate                     | 377                     | 54%      |
| Postgraduate                 | 253                     | 36%      |
| Doctorate                    | 45                      | 6%       |
| Other                        | 25                      | 4%       |
| <b>Socio-Economic Status</b> |                         |          |
| Upper-Middle class           | 445                     | 64%      |
| Wealthy                      | 195                     | 28%      |
| Lower-Middle class           | 35                      | 5%       |
| Poor                         | 25                      | 4%       |

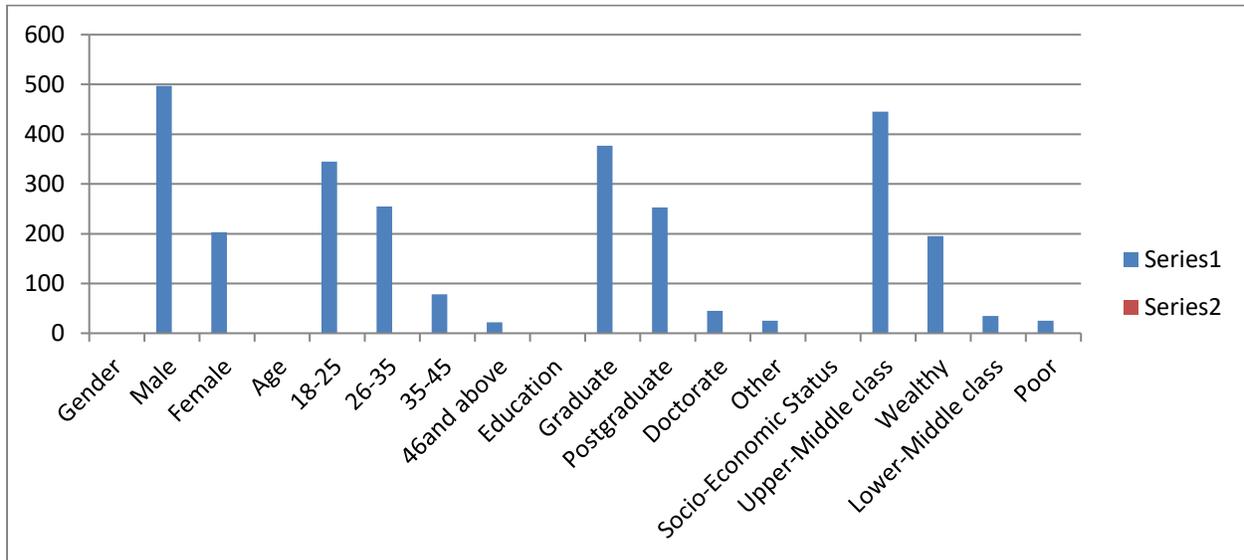


Table 1 shows that men are more likely than women to use and invest in cryptocurrencies, and that many Indian cryptocurrency users are in the 18–35 age range. The majority of bitcoin users in India are well educated, rich, or from upper middle class backgrounds.

**Table no:02 Level of adoption of crypto currency in india**

| Attributes                                      | No of      | Percentage |
|---|------------|------------|
|   | Respondent |            |
| <b>Adoption</b>                                 |            |            |
| Nascent Stage                                   | 590        | 84%        |
| Mature Stage                                    | 110        | 16%        |
| <b>Usage</b>                                    |            |            |
| Small Percentage of Consumers and Businesses    | 397        | 57%        |
| Moderate Percentage of Consumers and Businesses | 203        | 28%        |
| Large Percentage of Consumers and Businesses    | 100        | 15%        |
| <b>Interest</b>                                 |            |            |
| Growing Interest Among Consumers and Businesses | 700        | 100%       |

The below bar chart represents above table:

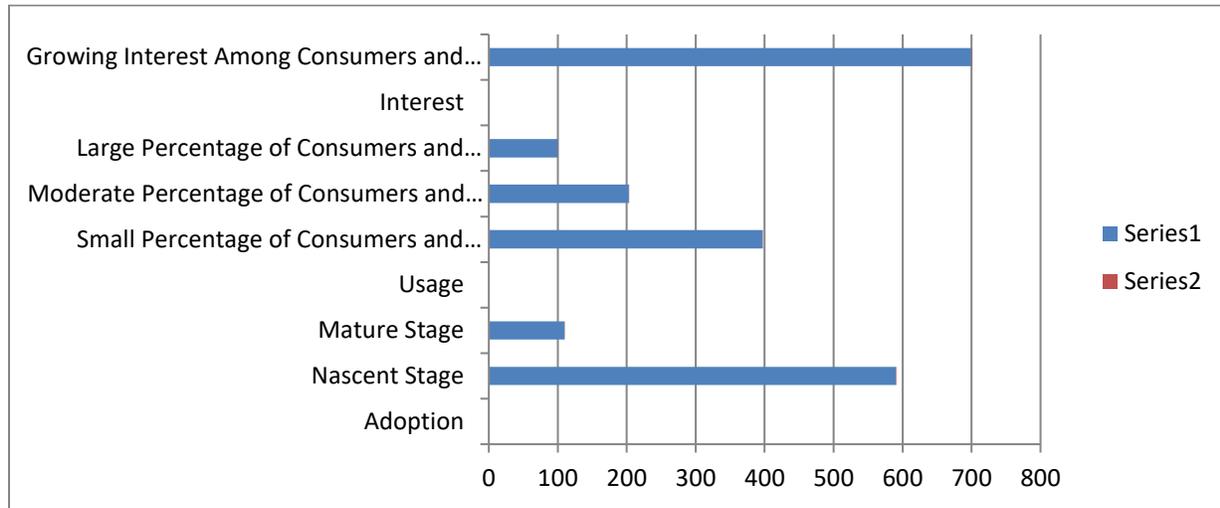


Table 2 above shows that adoption of cryptocurrencies in India is still in its early phases. Currently, only a small portion of Indian businesses and consumers use cryptocurrencies as investment vehicles. However, Indian firms and consumers are becoming more interested in cryptocurrencies.

**Table No:03, Impact of cryptocurrency on Indian economy**

| Attributes                                      | No of Respondent | %   |
|---|------------------|-----|
| <b>Banking and Finance</b>                      |                  |     |
| Potential to disrupter additional systems       | 295              | 43% |
| No significant impact                           | 205              | 29% |
| Unknown currently                               | 200              | 29% |
| <b>Remittances</b>                              |                  |     |
| Potential to offer cheaper and efficient way    | 350              | 50% |
| No significant impact                           | 155              | 21% |
| Unknown currently                               | 195              | 29% |
| <b>E-commerce</b>                               |                  |     |
| Potential to offer not secure and efficient way | 400              | 57% |
| No significant impact                           | 199              | 14% |
| Unknown currently                               | 201              | 19% |
| <b>Real Estate</b>                              |                  |     |
| Potential to offer new investment opportunity   | 245              | 36% |
| No significant impact                           | 305              | 43% |

|                                    |     |     |
|------------------------------------|-----|-----|
| Unknown currently                  | 150 | 21% |
| Taxation                           |     |     |
| Uncertainty due to lack of clarity | 398 | 57% |
| No significant impact              | 98  | 14% |
| Unknown currently                  | 204 | 29% |

The table above demonstrates that, Banking and finance: By providing quicker and more affordable payment options, cryptocurrencies have the potential to upend established banking and financial systems. Remittances: Indian expatriates may be able to send money home more affordably and effectively by using cryptocurrency. E-commerce: There may not be a more efficient and safe method to conduct business online than using cryptocurrency. Real estate: Using cryptocurrency can give investors a new avenue to enter the Indian real estate industry. Taxation: Indian taxpayers are experiencing confusion due to the lack of clarity surrounding the taxation of cryptocurrencies.

#### **Suggestions for the government:**

The government must give the adoption of cryptocurrencies in India some thought because it is a complicated matter. The Indian government may want to consider the following suggestions:

1. Provide a robust and well-defined regulatory framework for blockchain technology and cryptocurrencies. The framework should support innovation and expansion in the blockchain industry while addressing concerns including consumer protection, fraud prevention, taxation, and anti-money laundering measures.
2. Start public education campaigns to educate people about blockchain technology and cryptocurrency. Encourage ethical trading and investment while raising awareness of the dangers of speculative trading.
3. Provide precise regulations on cryptocurrency taxes, such as capital gains tax, income tax, and transaction reporting. Tax clarity will promote compliance and increase government revenue.
4. Put safeguards in place to shield investors from cryptocurrency-related fraud and Ponzi schemes. Establishing a regulatory organisation or authority to supervise and implement regulations is part of this.
5. To protect user data in bitcoin transactions, make sure that stringent data security and privacy procedures are in place.
6. Preserve openness in the regulatory process by letting interested parties offer suggestions and take part in draughting the rules.

#### **Conclusion**

The subject of cryptocurrency's effects on the Indian economy is complex and constantly changing. The block chain technology that powers cryptocurrencies has the power to completely



transform a number of industries, but the Indian government has taken a cautious stance towards them. In 2018, the Reserve Bank of India (RBI) forbade banks from transacting with cryptocurrency exchanges, which caused a decline in trading activity. But in 2020, the Indian Supreme Court struck down the prohibition, sparking a resurgence of interest in cryptocurrencies. Positively, cryptocurrencies can lower transaction costs for cross-border transactions, offer a new route for investment, and help the unbanked population become financially included. Additionally, it can stimulate foreign investment in India's economy and advance its technological advancements. The use of cryptocurrencies in illegal operations like money laundering and terrorism financing, however, is also a source of concern. Instability in the banking sector and the possibility of the Indian economy losing control over its monetary policy are other risks. In conclusion, it is yet unclear how cryptocurrencies will affect the Indian economy. It offers opportunities as well as challenges, but in order to maximise the potential advantages while minimising the dangers, a cautious and balanced approach is required. To enable their responsible usage in the economy, the Indian government must closely monitor the growth of cryptocurrencies and implement the necessary regulations.

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