

“A Study on Cryptocurrency in India – Boon or Bane” - With special reference to Bitcoin

L PRAVEENA

Assistant Professor, Department of Management Studies, Karpaga Vinayaga College of Engineering and Technology

Abstract:

The present study is focused on assessing the role and impact of Bitcoin. As India is in the technical era, techno-Indians speak, invest, and possess Bitcoin. This paper is an outcome of an exploratory research on the role of Bitcoin and its future in the Indian economy. The study answers the question “Is Bitcoin boon or bane in India”.

Key Words: Bitcoin

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I. Introduction:

The present study is an attempt to explore

- Will India have any positive financial leverage by the usage of Bitcoin?
- Should India say yes to Bitcoin?

The crafting of this article is to make the young India to have better understanding towards Bitcoin, Lakshmi Coin and Cryptocurrency

II. Crypto currency

One of the most popular terms used by the world is “Cryptocurrency”. As E-Commerce becoming the most integral part, internet sales is booming with more Techno-Indian customers. Bitcoin came into existence in later 2009 as a medium of online transactions. The gap between *buyer and the seller was bridged by the financial institutions. They served as a trusted third party to process E-Payments.* Even though the gap was bridged effectively, there was always a dependency factor for both the buyer’s and seller’s trading activities. This dependency turns to be a factor responsible for the invention of Cryptocurrency.

A Cryptocurrency is defined as “a digital asset designed to work as a medium of exchange using cryptography to secure the transaction and to control the creation of additional units of the currency”. Cryptocurrency was first ever used in the year 2010 22nd May by Laszlo Hanyecz, Florida. In 2017, the popularity of the use of Cryptocurrency increased rapidly, People started to invest a large sum of money that had no history of producing revenue. Crores of money was invested into more than 1000 new digital coins. These coins were in various form such as Bitcoin, Litecoin (LTC), Ethereum (ETH), Zcash (ZEC), Dash (DASH), Cash (BCH), **Source: - MPRA – “Factors Influencing Cryptocurrency Prices: Evidence from Bitcoin, Ethereum, Dash, Litcoin, and Monero “ – Yhlas Sovbetov {London School of Commerce.** In India the use of Cryptocurrency is still in the development phases as reported by RBI. The name of Cryptocurrency in India is expected to be Lakshmi Coin, and Reliance digital may also launch a coin named JioCoin which will be channelized by the reserve bank authorities. This would be a positive and a progressive attempt by the authorities towards economic development.

Source: - www.investopedia.com

Bitcoin is a digital currency which does not involve government intervention or authorization by any legal entity. Bitcoin is a combination of cryptography and digital encryption which can be utilized for online transaction. Bitcoin relies on cryptographic protocols and a distributed network of users to store, mine and effective transferring. Bitcoin supports investor to perform their transactions by themselves without any help from the financial sectors because Bitcoin is considered to be digital currency which serves as an alternative for money market, **Source:- Economics Bulletin, “What Drives Price” Vol.36, Issue 2, Jamal Bouoiyour, University of Pau**

– France, Refk Selmi, Tunis Business School, Olaolu Richard Olayeni, Pub: May 18 2016. The process of transacting a Bitcoin involves Mining. Bitcoin provides a reward for exchange of mining services provided by the miners all over the world, if the miners don’t exists transaction of crypto currencies will an impossible task

or it might be subjected to fallacies. These miners use specialized high performance equipments, sound technology, and henceforth this process of mining protecting the data at a very high level, therefore this can be coined as Block chain process. The network generates a maximum of 50 Bitcoin per block and this number decreases over the time with the repeated usage of the technology. Total number of Bitcoin mined till date is 21 million. The usage of Bitcoin in India can be advantageous as it can be free from GST and Service charge levied by the Government because **Bitcoin is digital coins not subjected to any government or legal authority.**

III. Brief Literature Review Projected Bitcoin Short Term

Year	BTC/block	Year (est.)	BTC in Circu.	BTC Increase	BTC % of Limit
2009	50.00	2009	0	~	0%
2010	50.00	2010	2,625,000	Infinite	12.500%
2011	50.00	2011	5,250,000	100.00%	25.000%
2011	50.00	2012	7,875,000	50.00%	37.500%
2012	25.00	2013	10,500,000	33.33%	50.000%
2013	25.00	2014	11,812,500	12.50%	56.250%
2014	25.00	2015	13,125,000	11.11%	62.500%
2015	25.00	2016	14,437,500	10.00%	68.750%
2016	12.50	2016	15,750,000	9.09%	75.000%
	12.50	2018	16,406,250	4.17%	78.125%
	12.50	2019	17,062,500	4.00%	81.250%
	12.50	2020	17,718,750	3.85%	84.375%
	6.25	2021	18,375,000	3.70%	87.500%
	6.25	2022	18,703,125	1.79%	89.063%
	6.25	2023	19,031,250	1.75%	90.625%
	6.25	2024	19,359,375	1.72%	92.188%

(Table Data Source: en.bitcoin.it)

As of June 20, 2017, Bitcoin has reached a total circulation amount of 16.4 million coins, which is about 78% of the total amount of Bitcoin.

Bitcoin has controlled supplies, which suggest that there is finite circulation of the mined currency. The amount of Bitcoin actually in circulation is lower than the amount of Bitcoin mined. This is due to accidental loss or willful destruction. Approximately 16.5 Million Bitcoin that have been mined so far. Out of this it is estimated that up to 25% of the mined currency has been lost for good. The Bitcoin protocol is designed in such a way that new Bitcoin can be created at a predictable and decreasing rate. The number of new Bitcoins created each year is automatically halved over time until Bitcoin issuance halts completely with a total of 21 million in existence.

IV. Need For The Study

The most trending word used by media, young Generation, Investors, and IT Employees is Bitcoin. Has the time has arrived for India to go cashless? - If yes! Is the usage of Bitcoin a positive step to enable India attain this big dream?

V. Objective of The Study

This paper analyses the following

1. Is Bitcoin approved in India?
2. Do Indians Posses Bitcoin?
3. Is Bitcoin a safe locker for Black Money?
4. Is investing in Bitcoin is similar to investing in shares?
5. If an innocent is exploited in the name of Bitcoin will his queries be addressed?
6. Is Bitcoin is a Boon or Bane to the Indian economy?

The study is focused to analyse the results for the above queries.

VI. Analysis of Data

The following analysis has been done through secondary data to answer the above quarries.

VII. Findings

I. Is Bitcoin approved in India?

According to RBI (Regulatory Authority) Circular, directed to the banks and other financial institutions, trading Cryptocurrency including Bitcoin is prohibited. This has resulted in zero dealing between the buyer and seller through any kind of dealing with cryptocurrency or crypto assets. Further, the authorities

have also highlighted with the risk associated with virtual currencies.

II. Do Indians Posses Bitcoin?

Though the legal status of Bitcoin varies substantially from one country to another country, in India there are some legal restrictions on the usage of virtual currencies. In India there are 11 exchange platforms available to trade Bitcoin though it is not regulated by RBI.

III. Is Bitcoin a safe locker for Black Money?

RBI's and Yes Bank in an e-mail to its customers said that, "We prohibit the use of YES BANK - Debit Card, Credit Card, Net Banking, Mobile Banking, Digital Wallet, Prepaid Cards and Travel Cards towards purchase of or trading in virtual currencies". The central bank (RBI) issued a press release that said, "Technological innovations, including those underlying virtual currencies, have the potential to improve the efficiency and inclusiveness of the financial system.

However, Virtual Currencies (VCs), also variously referred to as Cryptocurrencies and crypto assets, raise concerns towards consumer protection, market integrity, and money laundering.

IV. Is Investing in Bitcoin is similar to investing in shares?

After increase of 300 per cent in the value of Bitcoin in just a span of one year, different types of investors and traders including budding investors have started showing their interest towards Cryptocurrency and their trading methods.

V. If an innocent is exploited in the name of Bitcoin will his queries be addressed?

During the year 2016 Mr. Kailash Bishnoi, Manager, RBI discussed the characteristics of Cryptocurrency such as "Not a legal tender, Most of the investments is subjected speculation, Opaqueness, Illegal use, No security and Customer protection". As a result RBI is not approving Cryptocurrency. Over a period of time the traditional money system will be ruled out by the digital currency once it overcomes the negative characteristics.

VI. Bitcoin is a Boon or Bane to Indian economy?

The stakeholders in India have suggested the usage of Bitcoin will predominantly have negative impact to the country but it may have a positive impact for the citizens of India who are rational and have individualistic consumer pattern behavior. It can be articulated as, even though Cryptocurrency has its drawbacks like every new technology does. The paper suggest the following suggestion

VIII. Sugesstion:

- Cryptocurrency can serve as a great tool from the financial point of view.
- As the study reveals that, there are some firms accepting Bitcoin, the investigation has begun about the transparency, business module of those firms and the people who deal with Bitcoin.
- Legalisation of cryptocurrency can take the Indians and India as a nation at a platform which promises progressive growth.

IX. Conclusion:

Cryptocurrency has potential to replace the traditional monetary system. In order to adopt this phase of Cryptocurrency it must first evolve and accept a secure network of currency exchange. According to the findings of the present study, if crypto currencies are in the form of Lakshmi Coin then the society can be motivated to make investors adapt gradually which will in turn pave a way towards rapid progress in usage of Cryptocurrency. This will help India to reach to the next platform of E-commerce. Indians are to be benefited by Bitcoin, but it may not be the same for the nation as the whole.

Therefore Bitcoin is a boon to Indians and bane to India

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