

Introduction to Cryptocurrency: An Overview

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Abstract

Cryptocurrency is one of the safest digital money. The currency has broader usage. Bitcoin and different sorts of tokens in addition to coins with all forms of cryptocurrency were utilized in India for a long term now. Cryptocurrency has no fund transfer limit, account of the people cannot be hacked and also there is no central point of failure. The transactions of these sites cannot be handled by a third party. Therefore this paper mainly focuses on secondary data to understand the concept, types, advantages, disadvantages, and legal status of cryptocurrency in India. The study found that cryptocurrency brought out an effective advancement to the sectors like e-business and e-payment. Nevertheless, the cryptocurrency had lack of trust yet. It is must to take adequate steps by the India Government to administer for making it safer, transparent and more trustworthy.

Keywords: Cryptocurrency, Digital Money, Legal Status, Token, Coins etc.

Introduction

One of the digital money namely cryptocurrency is treated to be safe. It is a word which indicates any token that generated by utilizing cryptography. Simply, cryptography is the toughest method of transforming coherent data into arduous codes. Digital currencies, alternative currencies and virtual currencies are considered as a subdivision of cryptocurrency. The currency has broader usage. A popular cryptocurrency known as Bitcoin create further modern digital money. The transactions of these sites cannot be handled by a third party.

Brief History

The transaction in the economy takes places at the time of barter system by exchanging goods and service between two or more persons. For example, people exchange five apples for five oranges. Further barter system goes out of use due to egregious errors. The demand or wants of the people coexist in one stage – If a person have something for trade, you and other person demanded the same product. People have to make a determination that how much he or she willing to trade for any other products. Because there will be no common value to measure the products. For instance, a person cannot divide a living creature to units of items or products. The transportation of goods is very difficult. But the modern currency is easy to store, measure and transport.

When people recognized the barter system cannot worked well in the economy, they move on to currency through certain iterations such as: An official currency was embossed in 110 B.C, Europe brought in a gold-plated florins and used across the economy in A. D. 1250, and finally paper currency attained popularity around the world from 1600 to1900. This is the way that the modern currency came into existence. Modern currencies consist of paper currency, coins, credit cards, and digital wallets. Apple Pay, Amazon Pay, Paytm, PayPal are some of the examples of modern currency. It can be easily kept in a mobile phone or wallet. It was controlled by banks and governments, which means that there will be a limit fixed by the central regulatory authority to control the currency and credit card fluctuations in the economy.

Traditional Currencies vs. Cryptocurrencies

Imagine a situation that, your friend bought lunch for you and you have to repay money via online to his/her account. This transaction can be failed due to several reasons such as: some technical issues like system down, machine not working etc. faced by financial institutions, amount of transaction limit, and so on. It was considered as the central point of failure. The modern banking i.e., cryptocurrency plays a major role in overcoming these type of problems. Cryptocurrency has no fund transfer limit, account of the people cannot be hacked and also there is no central point of failure. The availability of crptocurrency as on 2018 was more than 1600 currencies.

Review of Literature

James and Parashar (2018) commentated that cryptocurrency are one such invention that has become a global phenomenon. The cryptocurrencies are the latest technology and a tool that are looking forward to. In India, the number of investors in cryptocurrencies has increased very rapidly in recent years. The Government of India needs to take responsible steps to regulate this currency due to the rapid growth of users in India.

Joshipura and Nagappan (2018) highlighted that most countries worldwide have appreciated the cryptocurrencies while only countries with exchange

control restrictions such as China or India have prohibited. They explained that the ban which was imposed by the Central Bank would be difficult to enforce in practice such as consumer, businessmen and government.

Kashyap and Chand (2018) have observed that if the cryptocurrency with inside the current technology have come to be famous, then it's far not possible for the nations to absolutely forget about it. Moreover, cryptocurrencies have the ability to come to be one international currency. There is legality to the usage of Bitcoin is a debate, however the attractiveness of cryptocurrencies may be happen within a couple in this digital world.

Objectives of the study

- To understand the concept of crypto currency, its types, and the top seven player of cryptocurrency
- To study the advantages and disadvantage of cryptocurrency
- To analyses the legal status of cryptocurrency in India.

Research Methodology

This paper focuses on secondary data. The data were collected from various sources such as journals, newspaper articles, websites, and statutory reports.

Types of Cryptocurrencies

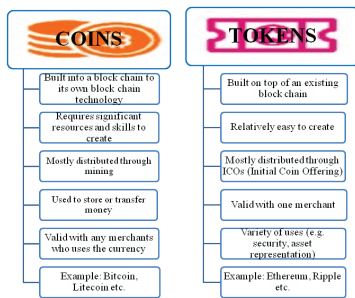
The different types of cryptocurrencies are explained as follows:



Crypto Coins vs. Tokens

The operation of digital coin is as same as that of traditional money. It is generated on its own block

chain. The benefits of digital coin are that, it is very convenient to store and used as a medium of exchange between two or more parties. For example: the coins include Bit coin, Lite coin (CRYPTO:LTC). On the other hand, tokens have far more usage than that of digital money. In an existing block chain, tokens have a topmost position and it is used for software application (such as permission to access an app, verify or track the movement of products through supply chain) or else likely they can be represented as digital art (similar with NFTs, or “non-fungible tokens,” that certify something as unique). An even experiment has been conducted with the help of NFTs using physical assets, namely a real life art and real estate. The best example of token was ether that used to perform effective transactions on ethereum. Even though there exist a close relationship between coins and token, both are distinct entities.



Impact Cryptocurrency on Indian Economy

In the world, India is the second largest populated country. The transitions that the Indian financial market has undergone in recent years are nothing short of a renaissance for the country. In India, cryptocurrency is not a notion. Bitcoin and different sorts of tokens in addition to coins with all forms of cryptocurrency were utilized in India for a long term now. The bitcoin transactions were initiated in the country on 2012, deliberately and slowly in 2013, the cryptocurrencies had been growing throughout the world globe and some enterprise homes commenced to just accept price with the aid of using the mode of Bitcoin. Although India plays a relatively small role in the global crypto market, accounting for only about 2% of the global crypto market capitalization, the RBI has warned about the potential for financial, regulatory, protection of consumers and cryptocurrency based security risks.

Acceptance of Cryptocurrency in India

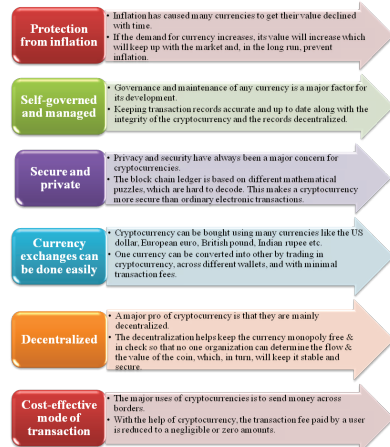
Kolonial, a vintage-themed pizzeria in the Worli district of Mumbai became the prime restaurant in the country to accept the payment of bitcoin in 2013. Suryawansi Restaurant in Indira nagar, Bangalore became the second restaurant who used bitcoin in 2016. The list is expected to grow rapidly this year, making Taramani’s Suri Andhra Mes the first restaurant in Chennai.

Top Five Cryptocurrencies in February 2022

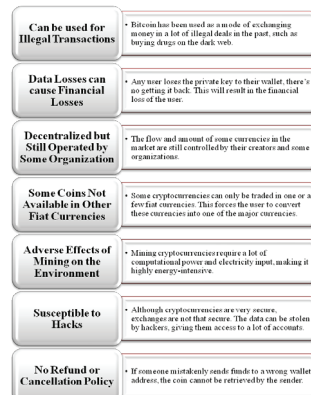
Bitcoin (BTC)	Ethereum (ETH)	Tether (USDT)	U.S. Dollar Coin (USDC)	Binance Coin (BNB)
<ul style="list-style-type: none"> Created in 2009 by someone under the pseudonym Satoshi Nakamoto original cryptocurrency Market cap: Over \$750 billion 	<ul style="list-style-type: none"> Both a cryptocurrency and a blockchain platform From April 2016 to February 2022, its price went from about \$11 to over \$2,700 Market cap: Over \$327 billion 	<ul style="list-style-type: none"> Stable coin It's backed by fiat currencies like U.S. dollars and the Euro and hypothetically keeps a value equal to one of those denominations Market cap: Over \$78 billion 	<ul style="list-style-type: none"> Stable coin It's backed by U.S. dollars and aims for a 1 USD to 1 USDC ratio. USDC is powered by Ethereum, and you can use USD Coin to complete global transactions. Market cap: Over \$50 billion 	<ul style="list-style-type: none"> Launched in 2017 The Binance Coin is a form of crypto currency that you can use to trade and pay fee. It is one of the largest crypto exchanges in the world. its price in 2017 was just \$0.10; by Feb. 1, 2022, it had risen to around \$377 Market cap: Over \$63 billion

Source: Market caps and pricing current as of Feb. 1, 2022 in exchanges.

Advantages of Cryptocurrency:



Disadvantages of Cryptocurrency



The Legality of Cryptocurrency in World

Governments or monetary authorities authorize their power currencies as a medium of exchange. Cryptocurrencies, on the other hand, are not supported by any government or commercial organization. As a result, establishing their legal status in many of the world's financial countries has proven problematic. It doesn't help that cryptocurrencies mostly operate outside of the current economic infrastructure. El Salvador is the first country in the world to accept Bitcoin as legal tender for currency transactions from December 2021. Cryptography laws in the rest of the world vary by jurisdiction. Japan legalized Bitcoin in April 2017 and accepted it as a legal form of currency. In India, it is still unclear whether cryptocurrency is legal or illegal as there is no law that says crypto-currency is illegal. Therefore, cryptocurrency is considered to be neither legal nor illegal.

Union Budget 2022 Outcome of Cryptocurrency

A crypto tax regime was finally brought in by India in the Union Budget of 2022-23. The government took a conservative stance on taxes when it is announced. The Finance Minister, Nirmala Sitharaman forenamed that a tax of 30 percent and TDS of one percent would be charged on revenue for transferring the virtual digital assets. No deduction other than cost of acquisition will be acknowledged while reporting income from transfer of digital asset. The loss of digital assets cannot be compensated with any other income. The gift of digital assets will attract tax into the hands of the recipient.

Conclusion

Investment must takes place only after their own research regarding various types of digital assets, because investing in cryptocurrency or cryptoproducts may not be safe. In crypto market, various kinds of cryptocurrencies are available. The selection of right one is totally a research based work. It is really a more secure facet of investment always. Cryptocurrency brought out an effective advancement to the sectors like e-business and e-payment. Nevertheless, the cryptocurrency had lack of trust yet. It is must to take adequate steps by the India Government to administer for making it safer, transparent and more trustworthy.

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