

A STUDY ON OPPORTUNITIES AND CHALLENGES OF CRYPTOCURRENCY IN INDIA WITH SPECIAL REFERENCE TO BITCOIN

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ABSTRACT

From a few years onwards crypto currencies and Bit coin grab a hot topic in the financial industry. Crypto currency is a digital or virtual or internet currency that uses cryptography for security. Crypto currency has created unmatched changes in the financial market having both positive and negative contributions. The concept of crypto currency is a little hard to accept, but it is easy to use. It is considered difficult because it is entirely different from our conventional currencies that we people are using since ages. Bitcoin was created in the wake of the 2008 global financial crisis to operate outside of governments, central banks and financial institutions. Since then, Bit coin's framework has challenged many regulators, as most of them struggled to find ways to bring it under control. This led to some countries banning it or making it illegal, while some others remained observant and the rest worked out ways to tax and regulate its operations. This is a conceptual paper tries to study the different aspects of crypto currencies, starting with their history, types, its working, advantages and disadvantages, challenges and opportunities. The study also tries to analyze the legal status of Bitcoin in India.

Key words— Bitcoin, Cryptocurrency, Challenges in Cryptocurrency

INTRODUCTION

Today's economies are all money economies, because all economies have accepted certain currencies (money) as medium of exchange. The money supply causes inflation as well as deflation in economies by its excess supply and contraction in money supply, hence currencies of different countries regulated by government.

government in order to combat inflation or deflation situations. Now a day's many countries in the world have focusing towards digital currency and transactions. Even some one doesn't want to regulate their currencies and transactions. this brought greater innovation in new currency that is crypto currency, One of the most advanced, ambiguities, regulation free currency. In this article I made an attempt to study regarding crypto currency and its development and transactions in India.

The instruments used as exchange instruments to make the trade transactions as easy as possible according to the market needs have experienced a huge development and change. Those instruments used to intermediate the exchange of goods are known as money. Money as something that serves as a medium of exchange, an unit of accounting, and a store of value. Money is a medium of exchange in the sense that we all agree to accept it in making transactions. Merchants agree to accept money in exchange for their goods; employees agree to accept money in exchange for their labor. As a unit of accounting, money provides a simple device for identifying and communicating value. Money serves as a store of value in that it allows us to store the rewards of our labor or business in a convenient tool. From the era of barter to commodity money, metal and coins, to gold and silver, continuing by modern monetary systems and checks and ending with the latest global currency developments, such as introduction of cryptocurrencies known as Bitcoin and Ethereum and alike.. The introduction of cryptocurrencies has revolutionized the international payment system in a scale that just few years ago were unimaginable. A cryptocurrency is a digital or virtual currency that uses cryptography for security. In 1983, the American cryptographer

David Chaum conceived an anonymous cryptographic electronic money called e-cash. Later, in 1995, he implemented it through Digicash, an early form of cryptographic electronic payments which required user software in order to withdraw notes from a bank and designate specific encrypted keys before it can be sent to a recipient. This allowed the digital currency to be untraceable by the issuing bank, the government, or any third party. A cryptocurrency is difficult to counterfeit because of its security feature. A defining feature of a cryptocurrency is that it is not issued by any central authority. It is completely decentralized

OBJECTIVES OF THE STUDY

1. To understand the concept of crypto currency, its working, its types and the top player Bitcoin.
2. To study the advantages and drawbacks of Bitcoin.
3. To analyse the legal status, challenges and opportunities of Bitcoin in India.

RESEARCH METHODOLOGY

Researchers have been selected analytical research methodology for this study. To satisfy the objectives of the research, researchers used secondary data from various publications by financial websites, government of India, journals, news papers, books and magazines etc...

TYPES OF CRYPTOCURRENCY

Cryptocurrency is designed to work as a medium of exchange. The number of cryptocurrencies available over the internet is over 1600 and growing. A new cryptocurrency can be created at any time. By market capitalization, Bitcoin is currently the largest blockchain network, followed by Ripple, Ethereum and Litecoin

1. **Bitcoin (BTC)** One of the most commonly known currencies, Bitcoin is considered an original cryptocurrency. It was created in 2009 as an open-source software. Using blockchain technology, Bitcoin allows users to make transparent peer-to-peer transactions. All users can view these transactions; however, they are secured through the algorithm within the blockchain. While everyone can see the transaction, only the owner of that Bitcoin can decrypt it with a "private key" that is given to each owner. Unlike a bank, there is no central authority figure in the Bitcoin. Bitcoin users control the sending and receiving of money, which allows for anonymous transactions to take place throughout the world.
2. **Litecoin (LTC)** Litecoin was launched in October 2011 as an alternative to Bitcoin. Like other cryptocurrencies, Litecoin is a peer-to-peer cryptocurrency and open source software project released under the MIT/X11 license. Its creation and transfer is based on an open source cryptographic protocol and it is completely decentralized. Litecoin is different in some ways from Bitcoin. A few differences between these digital currencies are:

The Litecoin network aims to process a block every 2.5 minutes but Bitcoin takes 10 minutes. This allows Litecoin to have faster transaction confirmation.

The coin limit for Bitcoin is 21 million and Litecoin is 84 million

Experts say that Litecoin are more complicated to create and more expensive to produce because it uses different algorithm called scrypt and FPGA (Field Programmable Gate Array) and ASIC (Application Specific Integrated Circuit) devices made for mining

3. **Ripple (XRP)** Ripple is a real-time gross settlement system, currency exchange and remittance network created by Ripple Labs Incorporation, a US based company. Ripple was released in 2012 that acts as both a cryptocurrency and a digital payment network for financial transactions. It's a global settlement network that is designed to create a fast, secure and low-cost method of transferring money. Ripple allows for any type of currency to be exchanged, from USD and Bitcoin to gold and EUR and connects to banks, unlike other currencies. Ripple also differs from other types of digital currencies because its primary focus is not for person-to-person transactions, rather for moving sums of money on a larger scale.
4. **UNOCOIN:** Unocoin was founded in 2013 and is the leading bitcoins exchanges in India. It is backed by investment from the USA and is a regulated company offering low 1% fees which fall to 0.7% with increases trading volumes. It is a relatively easy exchanges platforms, allowing users to buy crypto currency with any Indian bank accounts. However, with the banking proposal at hand, think might get challenging for unicorn.

INTRODUCTION TO BITCOIN

One of the most popular cryptocurrency wallet using is Bitcoin which was invented by an unknown person or group of people using the name Satoshi Nakamoto in 2008. Bitcoin is a cryptocurrency, a form of electronic cash. It is a decentralized digital currency that can be sent from user to user on the peer-to-peer Bitcoin network without the need for intermediaries, where transactions happen through a public ledger called blockchain, handling users' data anonymously. Ten years since its introduction, Bitcoin is today the most widely used and accepted digital currency.

LEGAL STATUS OF BITCOIN IN INDIA

The legal status of Bitcoin and related crypto instruments varies substantially from country to country and is still undefined or changing in many of them. Whereas the majority of countries do not make the usage of Bitcoin itself illegal, its status as money (or a commodity) varies, with differing regulatory implications. While some states have explicitly allowed its use and trade, others have banned or restricted it. Likewise, various government agencies, departments, and courts have classified Bitcoins differently.

OPPORTUNITIES OF BITCOIN IN INDIA

- Entrepreneurs within the country are seeing this as a natural opportunity for the proliferation of Bitcoin and other cryptocurrencies within the country. It's reported that India currently has around 30,000 Bitcoin owners in the country, and that number is expected to grow.
- For consumers is a payment system which does not require to provide private credentials
- To marketers it is away to save transaction cost
- For emigrants it is an instrument to send remittances without charges

CHALLENGES OF BITCOIN IN INDIA

Government Regulation: Indian government stand towards Bitcoin is the prime challenge for its growth. The future of cryptocurrency is doubtful in India for now. Currently in 2019 RBI announced that cryptocurrency will not be considered as a legal tender. Because it is completely decentralized.

Security Threat : Hackers and malicious users can create as much as they want from virtual currency if they break the system and know the method of virtual currency creations. This will lead to the ability to create fake virtual currency or steal virtual currency by just changing the accounts balances.

CONCLUSION

Cryptocurrency especially Bitcoin offers a new, effective and attractive model of payment methods that can boost companies and operators revenues. It also provide alternative method of payment, apart from real money, that enable users to make financial activities such as buying, selling, transferring and exchanging easily. Cryptocurrency can bring more positive changes to e-Business and e-Payment sector. However cryptocurrency doesn't get that much of trust yet. Many concerns, challenges and issues are existing in many cryptocurrency platforms. Until cryptocurrency is being well regulated and controlled, users need to take extra precautions of using such virtual money. So the lack of legislations is considered as the main concern in cryptocurrency systems. The silence of the RBI on the regulatory status of Bitcoins may prove to be damaging. An industry has grown around Bitcoins in India- traders, exchanges and merchants who accept payments in Bitcoins. Bitcoins have already gained wide acceptance around the world- hence banning them would not be an option in India. Instead, this industry would need to be regulated. The sooner this is done, the better

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