



e-ISSN: 2319-8753 | p-ISSN: 2347-6710

IJRSET

International Journal of Innovative Research in
SCIENCE | ENGINEERING | TECHNOLOGY



INTERNATIONAL JOURNAL OF INNOVATIVE RESEARCH

IN SCIENCE | ENGINEERING | TECHNOLOGY

Volume 13, Issue 5, May 2024

ISSN INTERNATIONAL
STANDARD
SERIAL
NUMBER
INDIA

Impact Factor: 8.423

 9940 572 462

 6381 907 438

 ijirset@gmail.com

 www.ijirset.com

A Study on the Impact of Cryptocurrency on Investors and the Indian Economy

Gulshan Kumar, Dr. R. Thanga Prashath

Department of MBA-Finance, NIMS University, Jaipur, Rajasthan, India

Associate Professor, NIMS School of Business, NIMS University, Jaipur, Rajasthan, India

ABSTRACT: Similar to gold, cryptocurrency is a novel idea for virtual and decentralized money that is quickly gaining popularity in India. The purchasing and selling of Bitcoin, Ethereum, and other cryptocurrencies is illegal in India due to a lack of legislation or regulatory framework. And other cryptocurrencies are subject to regulatory restrictions. In India, there are a number of limitations on the use of cryptocurrencies. Understanding cryptocurrencies and their impact on the economy is the foundation of this research. Future prospects and current scenarios are also the basis of the study. The swift advancement of information and communication technology has led to the digitization of numerous daily tasks, resulting in increased efficiency and adaptability. Many internet users have moved to the virtual world, and the rise of cryptocurrencies has led to a new wave of commercial ventures that encourage purchasing, trading, and digital asset sales. Virtual worlds, social networks, P2P networks, online games, and other networks and apps all use cryptocurrency to represent valuable and intangible items. Over the years, virtual currency has been widely used in a variety of ways.

KEY WORDS: Cryptocurrency, Indian economy, digital assets, P2P networks, bitcoin, cryptocurrency in India.

I. INTRODUCTION

Crypto currencies could provide a significant benefit by overcoming the lack of social trust and by increasing the access to financial services (Nakamoto, 2008) as they can be considered as a medium to support the growth process in developing countries by increasing financial inclusion, providing a better traceability of funds and to help people to escape poverty (Ammous, 2015).

To provide a comprehensive overview of the opportunities of crypto currencies in developing countries, it is necessary to understand the general advantages and disadvantages crypto currencies provide for users compared to central bank-issued fiat currencies, like the Euro or the US dollar, and to discuss how they emerge from the underlying technology. For this purpose, the example of two crypto currencies is used in this paper. The underlying technology of most crypto currencies is blockchain technology. A blockchain is a decentralized database that is distributed in the network on a variety of computers. It is characterized by the fact that its entries are summarized and stored in blocks.

If the mega cryptocurrency has left you nervous, especially if you are an investor in digital coins like Bitcoin or Ethereum, hold your nerves as there is a silver lining in the mayhem the crypto asset class experienced last week. "Indians own less than 1 per cent of the world's Bitcoin. Being left behind will create a strategic disadvantage for the Indian economy. In 2021, we expect more institutions and government officials to recognise that we need to close the Bitcoin gap," said Pagidipati.

II. PROBLEM DISCUSSED

What is the current status of adoption of cryptocurrency in the Indian market?

The adoption of cryptocurrencies in the Indian market has been quite dynamic. Let's take a closer look at the current state:

1. Market Size and Revenue:

The **revenue** in the **cryptocurrencies market** in India is projected to reach **US\$343.5 million** in 2024. By 2028, it is expected to grow at an annual rate of **7.99%**, resulting in a projected total of **US\$467.2 million**.

The **average revenue per user** in the Indian crypto market is estimated to be **US\$1.3** in 2024.

In comparison to other regions, the highest revenue is reached in the United States, which is projected to be **US\$23,220 million** in 2024.

2. **User Adoption:**

The number of **crypto users** in India is expected to reach **328.80 million** by 2028.

User penetration is predicted to be **18.78%** in 2024 and is expected to increase to **22.20%** by 2028.

3. **Ownership Trends:**

According to a report, **crypto ownership** in India has been steadily increasing. It was **14.7%** in November 2021, rose to **23.4%** in January 2022, and finally reached **29.9%** in April 2022.

India's crypto ownership rate is almost **double the global average** of **15%**.

4. **Global Leaders:**

Studies indicate that the adoption of the crypto market has grown by over **880%** between June 2020 and June 2021 worldwide. During this time, the number of crypto users in India crossed **15 million**.

5. **Regulatory Uncertainty:**

As of October 26, 2023, the legal status of cryptocurrencies in India remains uncertain. Currently, cryptocurrencies do not have a definitive legal classification and are not recognized as legal tender within the country.

What are the future prospects of cryptocurrency in the Indian economy?

The future prospects of cryptocurrency in the Indian economy are both exciting and uncertain. Let's explore some key factors that will shape its trajectory:

1. **Regulatory Clarity:**

a. **Regulatory decisions** will significantly impact the future of cryptocurrencies in India. If the government provides clear guidelines and legal recognition, it could boost investor confidence and encourage broader adoption.

b. However, if regulations remain ambiguous or restrictive, it may hinder growth and innovation in the crypto space.

2. **Increased Adoption:**

a. **Wider adoption** among retail investors, businesses, and institutions could drive the crypto market forward. As awareness grows and more people participate, the overall ecosystem will expand.

b. **Education and awareness campaigns** can play a crucial role in demystifying cryptocurrencies and promoting responsible investment practices.

3. **Technological Advancements:**

a. **Blockchain technology** underpins cryptocurrencies. As it evolves, we can expect improvements in scalability, security, and interoperability.

b. **Layer 2 solutions** (such as Lightning Network for Bitcoin and Polygon for Ethereum) aim to address scalability issues, making transactions faster and cheaper.

4. **Financial Inclusion:**

a. India has a large unbanked population. Cryptocurrencies could provide an avenue for **financial inclusion**, allowing people without traditional bank accounts to participate in the digital economy.

b. **Stablecoins** pegged to fiat currencies could facilitate cross-border remittances and micropayments.

5. **Institutional Participation:**

a. **Institutional investors**, including banks, hedge funds, and asset managers, are increasingly exploring crypto investments. Their entry could bring stability and liquidity to the market.

b. **Crypto exchanges** are also collaborating with traditional financial institutions to offer regulated services.

6. **Global Trends:**

a. **India's position** will be influenced by global trends. If other countries embrace cryptocurrencies, it may create pressure for India to adapt.

b. **Central bank digital currencies (CBDCs)** are gaining traction worldwide. India's own CBDC project (the **Digital Rupee**) is in development.

7. **Challenges:**

a. **Volatility:** Cryptocurrencies are notoriously volatile. While this attracts traders, it can deter long-term investors.

b. **Security Risks:** Cybersecurity threats, scams, and hacks remain concerns.

c. **Environmental Impact:** Proof-of-work cryptocurrencies consume significant energy. Transitioning to more eco-friendly consensus mechanisms is essential.

III. LITERATURE REVIEW

Kamath, R. R., & Habeeb, M. (2023, January 9). This study investigates the influence of cryptocurrencies on Indian customers in the context of increasing e-commerce. Cryptocurrency was introduced in 2009 as a solution for internet-based transactions facilitated by financial institutions. While it closes the buyer-seller gap, trading activities still rely on confidence. This reliance has fueled cryptocurrency development, with potential results in Indian e-commerce. However, the benefits may accrue to individuals rather than the country.

Lohiya, S. (2022, December 14). This study paper investigates the impact of cryptocurrency on existing financial institutions, notably in India, amidst the increasing growth of online activity. With the rise of cryptocurrencies and virtual payments, the study intends to investigate their legality and impact on economic activity. Given the lack of worldwide regulation, the study examines the existing legal status of cryptocurrencies and its consequences for Indian laws.

Stalin, A., Stephen, A., & Kumar, A. (2023, January 1). This study looks into the cryptocurrency industry, examining its volatility and the capacity to foresee risk and reward. The period between January 1, 2015, and December 31, 2021 is analysed using descriptive statistics, correlation matrix tests, and GARCH models. The data show that cryptocurrency trading in India is very volatile, allowing traders to estimate future risks and returns.

Iyer, K. V., & Kumar, V. (2023, January 1). This article explores the shift in cryptocurrency adoption in India following demonetisation. The analysis of four datasets, including keyword searches for bitcoin, volume of bitcoin exchanged, price changes, and blockchain transactions, demonstrates increased knowledge and trading volume of cryptocurrency. However, it highlights difficulty in regulating these transactions, prompting the Indian government to contemplate banning bitcoin until a deeper knowledge of the technology and its ramifications is gained.

Verma, J. (2022, June 30). Although there are a number of factors influencing investors' attitudes, they are nonetheless interested in investing in cryptocurrencies. The goal of research is to pinpoint the variables affecting adoption choices. There are now new constructions that emphasize risk, ease of use, trust, and supported technology. These elements have a big impact on how investors behave when it comes to investing in cryptocurrencies.

Methodology

To fulfil the above research objectives, this study is based on secondary data collected from various reliable online sources, like high impact journals, research papers, news articles, and other trusted platforms.

IV. ANALYSIS OF STUDY

The Finance Minister of India, Arun Jaitley announced that Bitcoin is no longer a legal tender in January 2018. Cryptocurrency is neither deemed to be coin nor currency without any physical attributes and as a “virtual currency (VC)”. Hence, VC cannot be used as a mode of exchange without being officially authorised by the RBI. The strict currency control of the country would be ineffectual due to the very nature of virtual currency (Anand, 2018). The capital growth would be considered as capital gains from the asset class in India. The “Ministry of Finance”, “Securities and Exchange Board of India (SEBI)” and the I-T Department have sought information from various crypto-exchanges regarding their transactions (Jain & Kumar, 2018). The use of cryptocurrency has been banned as an asset class by both financial institutions and businesses. The government has also banned converting INR into cryptocurrency within Indian borders. However, one can convert cryptocurrency across various ICOs (Cumming et al, 2019). People suffered a huge number of financial losses and government policies somehow failed to protect the investors because of COVID-19 pandemic. Hence, people always attempt to invest where they can get higher returns like bitcoin as compared to the interest from banks. Loan waivers, lower rate of interest, and bailing out by public sector banks with public’s money raises a concern on their overall process. On the other hand, crypto banks have less rate of interest for loans.

V. RESULT

Experts worldwide have concluded that cryptocurrencies have a great future. Issuing real money is the only way to add value to cryptocurrency. They also discussed the risk of trading with cryptocurrencies as there is still a lack of regulatory bodies to control the fraud in such types of currencies and also criminal activities are a major problem here. According to several studies, one can easily imitate cryptocurrency and conduct false transactions. So, trading is still

not safe here. It also needs a lot of analysis on this and a healthy result is still needed to get a brief idea on the use of cryptocurrency and its consequences.

There are different financial exchanges where bitcoins are traded and they have enjoyed significant rise in value over the past few years. A lot of exchanges require some KYC information but loopholes are still present. For example, several wallets can be owned by the same person where coins are stored. Trades may be layered to make it impossible to track what is sold by whom and when. In addition, the cause of the trade is still not known. One thing is certain that there is a movement of the coin across the wallets.

VI. CONCLUSION

The government of India should take a stand in the world of cryptocurrency as it has huge potential to bring technological revolution to the country. The tax on cryptocurrency gains also adds up to a huge sum of direct taxes which goes to the I-T Department which can further push the overall growth of the economy. The Indian government should look forward to regulating it instead of announcing the blanket ban. There is a need to make it transparent, safer and more reliable. Citizens should be more aware of the overall functioning of cryptocurrency to invest more on it, especially in India which stands second in terms of population. Cryptocurrency holds a bright future which is encouraging about e-investments, e-business, and e-payments. Laws must be made about cryptocurrencies, considering several legal, financial aspects towards a more consumerfriendly and secure system.

REFERENCES

1. Kamath, R. R., & Habeeb, M. (2023, January 9). Cryptocurrency and the Indian Monetary System. *Advances in Finance, Accounting, and Economics Book Series*. <https://doi.org/10.4018/978-1-6684-4483-2.ch003>
2. Lohiya, S. (2022, December 14). Cryptocurrency in India and its impacts on Legislation. *Research Review International Journal of Multidisciplinary*. <https://doi.org/10.31305/rrijm.2022.v07.i12.007>
3. Stalin, A., Stephen, A., & Kumar, A. (2023, January 1). Risk and Return Analysis of Crypto Currencies in India. *Lecture Notes in Networks and Systems*. https://doi.org/10.1007/978-3-031-26956-1_54
4. Iyer, K. V., & Kumar, V. (2023, January 1). A study on the impact of demonetisation on cryptocurrency in India. *International Journal of Business and Globalisation*. <https://doi.org/10.1504/ijbg.2023.128321>
5. Verma, J. (2022, June 30). *Factors' Influencing Driving Demand of Cryptocurrency and its Impact on Behavioral Intention: An Indian Perspective*. *the Review of Finance and Banking*. <https://doi.org/10.24818/rfb.22.14.01.03>
6. Kaur, S., & P. (2022, May 16). *Crypto Currency*. *International Journal of Advanced Research in Science, Communication and Technology*. <https://doi.org/10.48175/ijarsct-3726>
7. Argade, N. U., Shukla, P., & Singh, M. P. (2023, January 9). *Emergence of Crypto Currency and the Digital Financial Landscape*. *Advances in Finance, Accounting, and Economics Book Series*. <https://doi.org/10.4018/978-1-6684-4483-2.ch009>
8. Panigrahi, S. (2023, June 30). Are cryptocurrencies a threat to financial stability and economic growth of India? Evidence from the cointegration approach. *Investment Management and Financial Innovations/Investment Management & Financial Innovations*. [https://doi.org/10.21511/imfi.20\(2\).2023.26](https://doi.org/10.21511/imfi.20(2).2023.26)



INTERNATIONAL
STANDARD
SERIAL
NUMBER
INDIA



INTERNATIONAL JOURNAL OF INNOVATIVE RESEARCH

IN SCIENCE | ENGINEERING | TECHNOLOGY

 9940 572 462  6381 907 438  ijirset@gmail.com



www.ijirset.com

Scan to save the contact details