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“A Study of Cryptocurrency in India”

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Abstract

“In India, crypto currency has become a popular digital asset class among traders, investors, and IT aficionados. India has seen a sharp surge in the use of crypto currencies despite regulatory uncertainty, thanks to advances in technology and a rise in digital awareness. Using secondary data, this paper investigates the idea, development, legal environment, difficulties, and possibilities for crypto currencies in India”..

Key words: Crypto currency, Block chain Technology & Bit coin.

Introduction

Cryptocurrency is a type of digital money that uses decentralized block chain technology and is protected by cryptography. The rise of cryptocurrencies like Bitcoin and Ethereum in India has presented the country's financial system with both opportunities and difficulties. Despite not being accepted as legal tender, cryptocurrencies can be exchanged legally as digital assets under certain rules.

A digital and virtual currency that is decentralized and peer-to-peer in nature is referred to as cryptocurrency.

- Does not have a central authority.
- Utilizing blockchain technology

Bitcoin (BTC), Ethereum (ETH), Tether (USDT), Binance Coin (BNB), and Solana (SOL) are popular cryptocurrencies traded in India

Need of the study:

The study's goal is to comprehend the notion of cryptocurrencies in India, as well as its applications and related difficulties. By examining cryptocurrency's function as

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an investment route, possible return, and associated dangers, the study also seeks to determine how beneficial it is for investors. Additionally, the report aids in educating investors about India's cryptocurrency market volatility, security concerns, and regulatory framework.

Scope of the study:

The study's focus includes the development of cryptocurrency in India, its regulatory framework, its applications and difficulties, and its prospects for the future.

Objectives of the study:

- To comprehend the Indian notion of cryptocurrency.
- To examine the rise in bitcoin acceptance in India.
- To look at the laws that control cryptocurrencies.
- To determine the difficulties Indian cryptocurrency investors encounter.
- To research cryptocurrency's potential in India.

Research and methodology:

- Research Type: Descriptive
- Data Collection Tools: Journals, government publications, websites, articles;
- Data Sources: Secondary data;
- Scope: India's crypto currency market

Limitations of the study:

- All secondary sources, including journals, papers, websites, and published articles, served as the study's foundation. As a result, the conclusions rely on the precision and dependability of the available data.
- The study is restricted to India and ignores international cryptocurrency marketplaces, which could have an impact on local patterns;
 - The study covers the years 2020 to 2025, which may not reflect long-term trends or future changes in the cryptocurrency market.

Review of literature:

RBI (2018–2022): The Reserve Bank of India's reports and circulars raised issues with money laundering, terrorism financing, consumer protection, and financial stability. The RBI has continuously warned investors despite recognizing blockchain's technological promise.

Mukhopadhyay (2019): Despite regulatory uncertainties, the study's focus on the Indian crypto currency market revealed rising investor participation. It highlighted the necessity of a well-balanced regulatory environment to encourage innovation and reduce risks.

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According to Kumar and Devi's (2020) analysis of investor perceptions of cryptocurrency in India, young investors were more likely to make cryptocurrency investments because of the large potential returns, despite their lack of risk understanding.

OECD (2021): The OECD report emphasized the significance of international cooperation while discussing worldwide regulation of cryptocurrencies. It emphasized India as a developing market with substantial regulatory obstacles but strong adoption potential.

Sharma and Singh (2022): This study looked at how tax laws affected the trading of cryptocurrencies in India. The authors came to the conclusion that increased taxes and TDS provisions caused some activity to move to foreign platforms and decreased trading volumes on Indian exchanges.

Data analysis and interpretations:

Growth of crypto currency in India

Due to the following factors, India has one of the biggest user bases of cryptocurrencies worldwide:

- Growth of fin tech platforms;
- Increased smartphone and internet penetration;
- High profits during bull market periods; and
- Interest among young and tech-savvy investors

The growth of the market has been greatly aided by Indian cryptocurrency exchanges like WazirX, CoinDCX, ZebPay, and Bitbns.

Regulatory frame work of crypto currency in India

- In India, cryptocurrency is not accepted as legal tender.
- Investors have been warned about dangers by the RBI.
- The RBI's banking restriction on cryptocurrency exchanges was removed by the Supreme Court in 2020.
- The government imposed a 1% TDS on transactions and a 30% tax on cryptocurrency income. The clarity of regulations is still developing.

Uses of cryptocurrency in India

- Investment and trade
- transfers across borders
- blockchain-based applications
- NFTs and decentralized finance (DeFi)
- inflation hedging (limited usage)

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Challenges of crypto currency in India

- Regulatory uncertainty
- price volatility
- cyber security threats
- investor ignorance
- money laundering and fraud concerns
- mining-related environmental difficulties

Futue prospectus of crypto currency in India

- Development of Central Bank Digital Currency (Digital Rupee)
- Growth in blockchain-based financial services
- Integration with digital payment ecosystems
- Increased institutional use
- Regulations for investor protection

Findings of the study:

- Despite regulatory obstacles, the use of cryptocurrencies is growing in India.
- Trading volumes have been impacted by tax laws.
- The majority of cryptocurrency users are young investors.
- In India, blockchain technology offers a lot of long-term potential.

Suggestions of the study:

- The government ought to establish precise regulations.
- Programs for investor education ought to be improved.\
- The infrastructure for cyber security needs to be strengthened.
- It is important to promote sustainable cryptocurrency mining methods.

Conclusion:

In India, cryptocurrency is in a transitional phase. Strong future promise is indicated by expanding acceptance and technological innovation, despite ongoing regulatory uncertainty. India can maximize the advantages of cryptocurrency while reducing related dangers with the aid of a well-balanced regulatory framework.

Further study:A Study on Volatility and Risk–Return Relationship of Major Crypto currencies

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