

Cryptocurrencies typically use decentralized control as opposed to centralized digital currency and central banking systems.

With the creation of **Bitcoin** in 2008 till present date, cryptocurrencies have gained much significance all around the world. The gains made by this sector since the onset of **Covid-19 pandemic** in January 2020 are astounding; the “cryptomarket” grew by over 500%.

However, in the 2018-19 **budget** speech, the Finance Minister announced that the government does not consider cryptocurrencies as legal tender.

Latest Developments regarding Cryptocurrency in India –

The Cryptocurrency and Regulation of Official Digital Currency Bill 2021 is likely to be introduced in the winter session of the Parliament. It is a bill that would regulate Cryptocurrency in India.

On December 7, 2021, Finance minister Nirmala Sitharaman asserted that the the proposed Central Bank Digital Currency will not boost cryptocurrency in India.

Types of Cryptocurrency

The first type of crypto currency was Bitcoin, which to this day remains the most-used, valuable and popular. The competing cryptocurrencies that were created as a result of **Bitcoin’s** success are known as altcoins. Some of the well known altcoins are as follows:

Litecoin

Peercoin

Dogecoin

Ethereum

Today, the aggregate value of all the cryptocurrencies in existence is around \$1.5 trillion—Bitcoin currently represents more than 60% of the total value.



Cryptocurrency has the following advantages

1. Funds transfer between two parties will be easy without the need of third party like credit/debit cards or banks.
2. It is a cheaper alternative compared to other online transactions.
3. Payments are safe and secured and offer an unprecedented level of anonymity.
4. Modern cryptocurrency systems come with a user "wallet" or account address which is accessible only by a public key and private key. The private key is only known to the owner of the wallet.
5. Funds transfer are completed with minimal processing fees.

Cryptocurrencies have the following disadvantages.

1. The almost hidden nature of cryptocurrency transactions makes them easy to be the focus of illegal activities such as money laundering, tax- evasion and possibly even terror-financing.
2. Payments are not irreversible.
3. Cryptocurrencies are not accepted everywhere and have limited value elsewhere.
4. There is concern that cryptocurrencies like Bitcoin are not rooted in any material goods. Some research, however, has identified that the cost of producing a Bitcoin, which requires an increasingly large amount of energy, is directly related to its market price.

Issues Associated with Cryptocurrency and Banning Decentralized Cryptocurrencies

Future of cryptocurrency in India Way Forward-

Regulation is the Solution: Regulation is needed to prevent serious problems, to ensure that cryptocurrencies are not misused, and to protect



unsuspecting investors from excessive market volatility and possible scams.

The regulation needs to be clear, transparent, coherent and animated by a vision of what it seeks to achieve.

Strong KYC Norms: Instead of a complete prohibition on cryptocurrencies, the government shall rather regulate the trading of cryptocurrencies by including stringent KYC norms, reporting and taxability.

Ensuring Transparency: Record keeping, inspections, independent audits, investor grievance redressal and dispute resolution may also be considered to address concerns around transparency, information availability and consumer protection.

CONCLUSION

India is currently on the cusp of the next phase of digital revolution and has the potential to channel its human capital, expertise and resources into this revolution, and emerge as one of the winners of this wave. All that is needed to do is to get the policymaking right.

Blockchain and crypto assets will be an integral part of the Fourth Industrial Revolution, Indians shouldn't be made to simply bypass it.

***cusp- a point of transition b/w two different states.**



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