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Cryptocurrency and its Impacts

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Abstract: ***The development of information and communication technologies has undergone rapid changes because of which many activities are integrated online and have become more pliable and effectual. With the tremendous growth of online user's, the concept of virtual word has been activated and have generated a new business occurrence to assist the monetary activities such as purchasing, trading and selling of cryptocurrency. Cryptocurrency constitutes precious and impalpable items that are to be electronically used in various implementations and system such as digital social system and digital worlds. This paper enlightens the readers on how cryptocurrency is functioned. It also lets the readers gain confidence in dealing with cryptocurrency by informing them that the use of such kind of digital money is not entirely authorized. Anyway, this paper aims in guiding the readers about the escalation of cryptocurrency to view it more vividly and practically. This paper also analyses ways of regulations & legislations towards cryptocurrencies and other things like merits, demerits, and criticisms attached to it so that a clear picture can be developed of its impact on various laws to regulate.***

I. INTRODUCTION

We all know that money is needed to access the necessities of life. Through so many years' technologies have undergone a lot of changes. In ancient period goods were brought through barter system that gradually changed and physical form of money a piece of paper exchanged for a good or services which is of high value was introduced as the years passed more and more developments happened out of which is the introduction of the electronic mode of transfer of money. In today's world if we see more than physical mode the electronic mode of money transfer is widely used irrespective of any class of the society in exchange for any kind of goods or services. From the era of barter to modern monetary system latest global currencies are introduces such as the introduction of cryptocurrencies known as Bitcoin and Ethereum and alike.

A cryptocurrency (or "crypto") is a digital currency that can be used to buy goods and services (Anon., n.d.) or in any trading monetary matters. Cryptocurrencies work in a bit complex manner than any other currency it uses a technology called the blockchain. Blockchain manages and records transactions across many computers through its decentralized technology. One can say that cryptocurrencies act like real money or they are real money. The only difference here is that they take a digital monetary form and are not managed or governed by any central authority nor does cryptocurrencies operate with any kind of involvement of banks, governments, or any middleman it is done so because the creators of the cryptocurrency have been inspired by the perceived need for privacy. However, in majority of cases, individuals needs to use a digital currency exchange to buy and sell the digital assets. The total value of all cryptocurrencies on April 13, 2021, was more than $2.2 trillion and the total value of all bitcoins, the most popular digital currency was pegged at about $1.2 trillion (James Royal, 2021).

II. INDIA AND CRYPTOCURRENCY

The population of India is approximately 1 billion and it has been on some economic revival in the last few years. With the country's growth expansions it is now being called the fastest-growing emerging economy. In today's India, more than 40% of the citizens have access to telecoms and web services. India is not only infused in mystery, history, and culture but also in technological advancement. Cryptocurrencies like Bitcoins have been wielding within the country for several years now. Minor cryptocurrency deals had already begun to take place inside India since 2012. However, only the crypto hobbyists were interested in Bitcoin during the time of development of Bitcoin. But by 2013, popularity of bitcoin started spreading fast across many countries. In the following year bitcoin started to get accepted as a mode of payment by few businesses. A vintage-era pizza shop called Kolonial in the Worli area of Mumbai became the first restaurant service in India to accept Bitcoin payments (Jani, 2018).

In a short span of time, the cryptocurrency exchange had begun to leap up in the country. The cryptocurrency exchange and trading services in India were put forward by developers like BtcxIndia, Unocoin, and Coinsecure. As the years passed, other developers like Zebpay, Koinex, and Bitcoin-India were also providing services of cryptocurrency exchange**.** The rise of crypto market in India happened due to the expansion of crypto market. There are also many online exchanges that provides crypto shops in the country like over-the-counter shops.

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Prime Minister of India Narendra Modi on November 8th 2016, declared the commencement of a demonetization policy after hearing this news people with huge financial stability required latest means of possessing their riches by avoiding significant tax inconvenience and sundry government inspection. Thus, resulting as a common practice for these people to purchase huge stakes of various kinds of cryptocurrencies and resell them on a later date. Later, several Indian citizens, including the 40% group that had access to the web began investing in cryptocurrency especially bitcoins. India only contributes 2% of the total global cryptocurrency market capitalization despite being such vast in population (Jani, 2018).

The major drawback for Indians to carry trading of cryptocurrency is the lack of large-scale mining facilities and not so lenient government restrictions on the flow of money internationally which further makes it hard for the country's citizens to carry transaction with large international crypto exchange platforms globally.

The legal status for cryptocurrency in India remains unclear as the Indian government refuses to take a stand on it as cryptocurrencies are difficult to trace which is a merit for hackers, criminal and terrorist activities also this is the one of the major drawback and the government hails to localise such kind of transactions. The other drawback is cryptocurrency market could become a competitor for the banking service industry.

III. POPULARITY OF CRYPTOCURRENCY

There is no doubt that the popularity of cryptocurrency has been increasing day by day. For a range of reasons cryptocurrencies charm their support. Given below are the most popular:

A. Many those who support the idea of digital currency are racing to buy them as they see cryptocurrencies as the currency of the future.

B. Some supporters believe in the fact of privacy and non-interference of the government. Central banks are removed by cryptocurrency from directing the money allocation as these banks from time to time tend to reduce the worth of the money via inflation.

C. The mechanization behind the functioning of cryptocurrencies are looked upon by various supporters. The process of blockchain is one of the way of determining these types of currencies, the traditional payment system can be less secure then the decentralised processing and trading system.

D. Due to its volatile nature the currency's value tends to rise very high and this is often liked by many supporters who certainly have no interest to know a way to move money in the long-term acceptance of these currencies.

IV. HOW DO CRYPTOCURRENCIES WORK?

Cryptocurrencies use the technique of decentralization that lets users create secure payments and store cash not necessarily to use their name or undergo any kind of bank activities. These currencies are processed by a distributed public ledger known as the blockchain which records all the transactions which are updated and are being held by holders of the currency.

a process called mining through which units of cryptocurrency are generated through which involves the use of a computer to solve complicated maths problems that help in generating coins. the currencies can be bought by brokers and stores and are spent by using wallets known as cryptographic wallets.

The blockchain technology of cryptocurrencies and applications are still incipient in monetary terms. This technology is used eventually to trade the transactions including bonds, stocks, and other financial assets.

V. LEGALITY OF CRYPTOCURRENCY

We can say that cryptocurrencies are not illegal; anybody can buy, sell and trade cryptocurrencies. Due to unregulated functioning, it is difficult to regulate a proper framework to govern its functioning presently. However, the Indian government is exploring crypto regulation. The legal standing of digital currency stands in obscurity as this type of currency system become popular recently as compared to the traditional currency and payment systems. Below mentioned are some of the legal implications that are associated with investing in cryptocurrencies.

A. Cryptocurrencies as Property

The IRS has defined cryptocurrencies as property in the United States meaning that the capital gains tax laws are obligated to the people reporting their annual tax returns of cryptocurrency profits and expanses. Thus adding layers of confusion and difficulties for the taxpayers.

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B. Decentralized Status

It means that neither it has a physical presence nor it is supported by the authority of the centre. The regulative power are looked by governments across the globe in varied ways. Thus, no jurisdiction or institution have power on controlling digital currencies.
Because of this on one hand it frees the investors from being duty-bound to those establishments and On the opposite hand, this standing may lead to legal complications. The worth of digital currencies either digital or fiat is relying entirely upon various owners and investors ascribe to them. The trail of legal recourse in these cases is tough to assess because of the decentralized state of these currencies.

C. Business Registrations and Licensing

For explicit jurisdictions and activities businesses needs to register and acquire license. Regarding the legality of digital currencies, it remains is slightly unclear for businesses operating within the crypto market. For instance, corporations may not register or acquire licenses at all that solely settle for cryptocurrencies. Thus, a special consideration is required to rely upon their jurisdiction.

D. The proposed law

The Parliament in the Parliament budget session introduced the Cryptocurrency and Regulation of Official Digital Currency Bill, 2021, which will prohibit all private cryptocurrencies and lay down the regulatory framework for the launch of an "official digital currency" (Mathew, 2021), it is held up for now as the government continues discussions with stakeholders

1) Case; Cryptocurrency vs RBI

In this case, concerns were expressed by RBI over different cryptocurrencies, stating that cryptocurrencies could be used for malpractices such as illegal activities and may also hinder with the monetary stability. Banks and other modulate entities were banned by the RBI in April 2018 from reinforcing crypto transactions after virtual form of currencies caused fraud. The ban was held as unconstitutional and was struck down by the Supreme Court in march 2020. It further explained that though cryptocurrencies are unregulated but aren't illegal in India.
The market of India have been introduced by various start-ups handling cryptocurrencies, such as Unocoin in 2013 and Zebpay in 2014 (Tracxn, 2019) (Mathew, 2021). However, regulative issues have been underlined for causing fraud due to the volatile nature of cryptocurrencies costa and instances. Moreover, both the government and RBI have denied claims of authorization or issuing a regulation of any entity altering with cryptocurrencies and all risks will be bared solely by the individual dealing with these type of currency. Many warnings have been issued against dealing in cryptocurrencies by the RBI.

VI. MERITS OF CRYPTOCURRENCY

There are various merits and demerits of these type of digital currency;

A. Inflamation Protection

The value is declined for many countries due to inflation. At the time of its launch almost each of the currency are released with a predetermined amount so, as the demand increases, the value also increases. Which in the long run helps the market to prevent inflation.

B. Security and Privacy

The major concerns for cryptocurrencies have always been privacy and security. A difficult mathematical puzzle which can be very hard to decode establishes the blockchain ledger. Thus, making cryptocurrency safer than any other electronic transaction. Pseudonyms are used which are not connected to any user, account, or stored data that could be linked to a profile for higher security and privacy of cryptocurrencies.

C. Transferring of Funds Fast

Cryptocurrencies is believed to be an optimal blend for transactions. The foreign and domestic transactions of these currencies are very fast. As the verification process is not lengthy and also there are not many hurdles to cross.

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VII. DEMERITS OF CRYPTOCURRENCY

A. Illegal Transactions

Cryptocurrency transactions regarding the security and privacy are high which makes the government unable to track down any user by their wallet address or keeping tabs on their data. The use of cryptocurrency bitcoin has been used as a mode of exchanging money exceeded in tons of illegitimate deals in the past like shopping for medication on the dark web. Cryptocurrencies are also utilized by some to convert their illicitly obtained money through a clean negotiator, to cover its sources.

B. Susceptible to Hacks

Exchanges of currencies cannot be said fully secured even if the currencies are secured. To utilize the user ID properly most exchanges, store case information of the users. Such type of information may often be purloined by hackers, giving them access to plenty of accounts. Once the access is obtained these hackers can simply transfer funds from those accounts.

C. No refund or Cancellation Policy

There is no way to retrieve a coin that sender had sent in case of any disagreement between the sender and receiver, or where somebody erroneously transfers funds to a false wallet address. Thus, cheating of monetary activities can be carried out by many people. Blaming for a transaction of a product or service even if they never received such services can be done due to the no refund policy.

VIII. CRITICISM OF CRYPTOCURRENCY

Cryptocurrencies are terribly volatile since the market prices for these currencies are supported through the method of supply and demand, the speed and fluctuation regarding the exchange of these currencies with other currencies are very high. From climbing as high as $19,000 per Bitcoin in Dec. of 2017 to drop around $7,000 in the coming months cryptocurrencies like bitcoin have experienced both shooting up and falling down of the values. Cryptocurrencies are considered speculative bubble by some economists.

Critics have observed the following regarding the cryptocurrency

A. Cryptocurrencies are not Democratic.

There are numerous dominant players in mining, ownership, and exchanges. The component of one-man-one-vote doesn't exist. Cryptocurrencies merely do not run on electoral campaigns or function the way the majority imagine democracy.

B. Bitcoin Transactions are not Anonymous.

Even if the nation-state is vulnerable to cryptocurrencies, they are not by default private. Thus, the control-freak governments and credit-card corporations discourage cash and lead people into digital transactions for profit, taxation, and surveillance.

C. Insecurity Keeps People on the Sidelines.

Although there are secure ways to carry cryptocurrencies, experiences have incontestable people's favor in outsourcing to exchanges for convenience. It is notable because the exchanges modify access to the standard financial sector so that people can buy and cash out with ease.

IX. CONCLUSION

The latest productive and agreeable mode of payment strategies offered by cryptocurrencies can uplift both business and businessman's gross sale. Various other techniques of payment are provided by cryptocurrencies aside real money, that can easily alter clients from carrying out financial activities like purchasing, vending, shifting, and trading. The cryptocurrency policies are opened to several channels for digital monetary transactions and supply of replacement of currency having different techniques which aren't directed and modulated the way they deserve. Several issues and challenges are extracted that put financial systems at the risk by this research. The main concern in cryptocurrency systems is the lack of jurisdiction, regulations, and legislation. The analysis made by me from the ongoing cryptocurrency research and study has drawn a translucent image of cryptocurrency.

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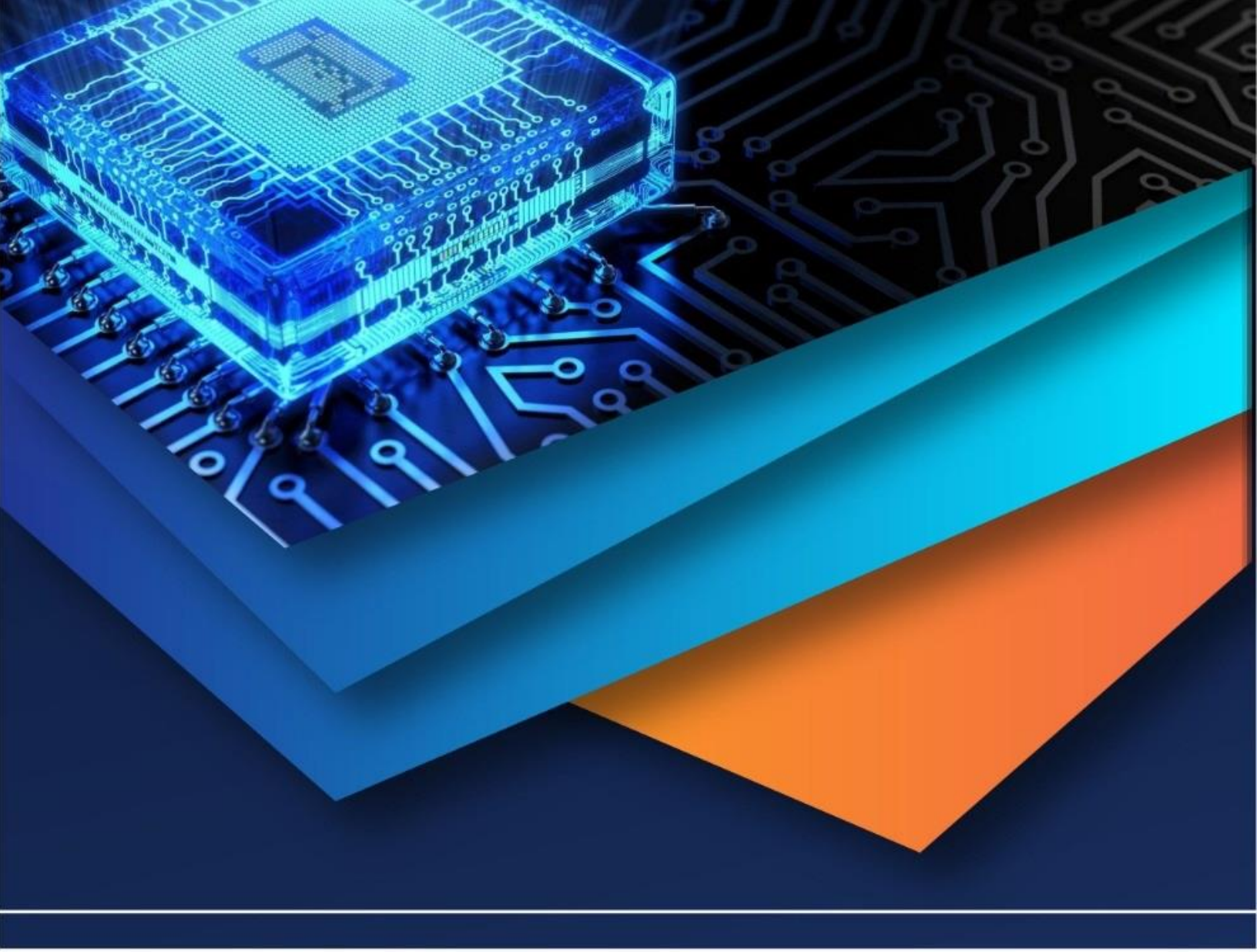
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As per my understanding and research the huge expansion, implementation and massive flowing of cryptocurrency may lead to huge succeeding of the currency. Moreover, the entire picture of these currency has not been realised by many users. Many cryptocurrency forms are not yet trustable. In the above sections of this paper various kinds of worries, provocations, and matters surviving in various cryptocurrency programmes are transparently mentioned. Cryptocurrency will not stop progressing due to the rapid progress and improvement of technology.

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