

AN OVERVIEW ON CRYPTOCURRENCY- THE NEW AGE TRANSACTION
* **Triveni Sharma**

* Assistant Professor, Bms Department, GSCC, Malad -west

Abstract

Cryptocurrencies like Bitcoin have matured from being associated exclusively with techies and radicals to being considered by central banks as a technology to implement digital money. Cryptocurrencies exist only in digital form and can be transferred completely between digital addresses. This is both unlike conventional electronic money as understood by laypersons which acts as a debt claim on a deposit with a trusted financial institution such as a private bank and unlike conventional corporeal money which may be physically possessed. This means that any legal rights associated with holding cryptocurrencies must be different despite it being remaining open to interpretation. In this chapter, we look at the various treatments of money in the legal sense and discuss the risks associated with each by drawing on real life examples. We conclude that fraud through hacking could potentially pose a problem to widespread adoption of cryptocurrencies as the absence of recourse against a third party such as a bank concentrates risk in holders of cryptocurrencies. Users should thus exercise caution and understand the risks before investing in cryptocurrencies. This warning requires emphasis as many parties misapprehend the cryptography within the technology as protecting them from such fraud when in fact it does no such thing.

Keywords : Fiat money, digital currency

Copyright © 2024 The Author(s): This is an open-access article distributed under the terms of the Creative Commons Attribution 4.0 International License (CC BY-NC 4.0) which permits unrestricted use, distribution, and reproduction in any medium for non-commercial use provided the original author and source are credited.

Introduction:

Cryptocurrency, sometimes called crypto-currency or crypto, is any form of currency that exists digitally or virtually and uses cryptography to secure transactions.

Cryptocurrencies don't have a central issuing or regulating authority, instead using a decentralized system to record transactions and issue new units.

Cryptocurrency is a digital payment system that doesn't rely on banks to verify transactions. It's a peer-to-peer system that can enable anyone anywhere to send and receive payments. Instead of being physical money carried around and exchanged in the real world, cryptocurrency payments exist purely as digital entries to an online database describing specific transactions. When you transfer cryptocurrency funds, the transactions are recorded in a public ledger. Cryptocurrency is stored in digital wallets.

Cryptocurrency received its name because it uses encryption to verify transactions. This means advanced coding is involved in storing and transmitting cryptocurrency data between wallets and to public ledgers. The aim of encryption is to provide security and safety.

The first cryptocurrency was Bitcoin, which was founded in 2009 and remains the best known today.

Much of the interest in cryptocurrencies is to trade for profit, with speculators at times driving prices skyward.

Review of Literature:

Fiat Money or Fiat Currency is any money that the government declares as legal tender. Also, this type of money is not backed by a physical commodity such as gold or silver. In other words, fiat money has **no intrinsic value**. **Market forces** determine the value of fiat money. Fiat money gives central banks greater control over the economy because they can control how much money is printed. Most coin and paper currencies that are used throughout the world are fiat money. This includes the U.S. dollar, the British pound, the Indian rupee, and the euro.

Digital money (or digital currency) refers to any means of payment that exists in a purely electronic form. Digital money is not physically tangible, like a dollar bill or a coin. It is accounted for and transferred using online systems.



Cryptocurrency examples:

There are thousands of cryptocurrencies. Some of the best known include:

Bitcoin:

Founded in 2009, Bitcoin was the first cryptocurrency

and is still the most commonly traded. The currency was developed by Satoshi Nakamoto – widely believed to be a pseudonym for an individual or group of people whose precise identity remains unknown.

Ethereum: Developed in 2015, Ethereum

is a blockchain platform with its own cryptocurrency, called Ether (ETH) or Ethereum. It is the most popular cryptocurrency after Bitcoin.

Litecoin:

This currency is most similar to bitcoin but has moved more quickly to develop new innovations, including faster payments and processes to allow more transactions.

Ripple:

Ripple is a distributed ledger system that was founded in 2012. Ripple can be used to track different kinds of transactions, not just cryptocurrency. The company behind it has worked with various banks and financial institutions.

Non-Bitcoin cryptocurrencies are collectively known as “altcoins” to distinguish them from the original.

Objectives of the study:

1. To highlight the conceptual framework of cryptocurrency in India.
2. To find out the basic fundamentals of cryptocurrency
3. To understand the pros and cons of cryptocurrency

Methods of data collection:

The research is based on secondary data collected from various articles, news piece, journals and websites.

Significance of study:

The future movement of the society from the use of fiat currency to digital currency makes it essential to educate people about the same. Therefore this study has social relevance attached.

Limitations:

The study is based on secondary data only

Status of Crypto Currency in India

The RBI’s Circular and Its Impact :

The country’s central bank, the Reserve Bank of India (RBI), published a circular in April 2018 that forbade regulated firms from offering services to people or companies engaged in cryptocurrency trading.

The circular basically forbade banks and other financial organizations from supporting transactions using cryptocurrencies.

This action by the RBI posed serious problems for the Indian bitcoin market, resulting in the shutdown of multiple exchanges and inhibiting innovation.

Supreme Court’s Ruling and Its Impact :

The RBI’s circular was subject to legal challenges, which led to a historic ruling by the Indian Supreme Court in March 2020.

The RBI circular was struck down by the Supreme Court because it was unlawful. The decision was a crucial turning point since it clarified the legal standing of cryptocurrencies in India and gave the sector new hope for growth.

Post-Supreme Court Ruling: Regulatory Developments :

The Indian government and authorities have moved to create a framework for cryptocurrencies in response to the Supreme Court’s decision. The Ministry of Corporate Affairs announced new rules in January 2021 that mandate businesses that trade in cryptocurrency must reveal their holdings in financial accounts. With this action, the government hoped to increase transparency and tighten its control over cryptocurrency-related activity.

Additionally, the country’s securities regulator, the Securities and Exchange Board of India (SEBI), has been debating whether to regulate cryptocurrencies as securities. To safeguard investors and stop fraudulent practices, SEBI has been looking at the possibility of implementing comprehensive laws to control initial coin offerings (ICOs) and other cryptocurrency-related fundraising activities.

Amendment of Schedule III of the Indian Companies Act, 2013: The Ministry of Corporate Affairs has recently issued a notification amending Schedule III of the Companies Act, 2013 and requiring companies to disclose their profits/loss and amount of

virtual currencies held, in their financial statements from April 4, 2021.

Union Budget 2022 – 2023: The Union Budget announcement of 2022-2023 specifies that:

- (i) income from VDAs is proposed to be taxed at 30% and loss from transfer of VDAs cannot be set off against any other income;
- (ii) ‘tax-deducted-at-source’ of 1% of consideration is proposed to be levied on any payments made in relation to transfer of VDAs, subject to a monetary threshold (this was later included in S. 194 S of the Income Tax Act, 1961); and
- (iii) recipients of virtual assets as gifts are also proposed to be taxed.

Key Players:

1. **WazirX:** This is an India-based cryptocurrency exchange launched in 2021 which allows users to buy, sell and trade in crypto assets such as Bitcoin, Ethereum, Ripple, Litecoin etc. across platforms.
2. **CoinDCX:** This crypto investment app was established in India in 2018 and currently lists 200 + coins. The app provides various features for different categories of investors.
3. **CoinSwitch:** This is one of India’s biggest crypto companies, backed by investors such as Tiger Global and Sequoia Capital.

Apart from the crypto exchanges mentioned above, other prominent players in the virtual digital sector in India include gaming companies harnessing blockchain technology such as Hike, founded by Kavin Bharti Mittal and the blockchain platform Polygon.

Merits of Crypto Currency:

1. Freedom in Payment:

With Bitcoin it is very possible to be able to send and get money anywhere in the world at any given time.

You don’t have to worry about crossing borders, rescheduling for bank holidays, or any other

limitations one might think will occur when transferring money.

You are in control of your money with Bitcoin. There is no central authority figure in the Bitcoin network.

2. Information is Transparent:

With the block chain, all finalized transactions are available for everyone to see, however personal information is hidden.

Your public address is what is visible; however, your personal information is not tied to this.

Anyone at anytime can verify transactions in the Bitcoin block chain.

Bitcoin protocol cannot be manipulated by any person, organization, or government. This is due to Bitcoin being cryptographically secure.

3. Very Low Fees:

Currently there are either no fees, or very low fees within Bitcoin payments.

With transactions, users might include fees in order to process the transactions faster. The higher the fee, the more priority it gets within the network and the quicker it gets processed.

Digital Currency exchanges help merchant process transactions by converting bitcoins into fiat currency. These services generally have lower fees than credit cards and PayPal.

4. Fewer Risks for Merchants:

Due to the fact that Bitcoin transactions cannot be reversed, do not carry with them personal information, and are secure, merchants are protected from potential losses that might occur from fraud.

With Bitcoin, merchants are able to do business where crime rates and fraud rates may be high. This is because it is very hard to cheat in Bitcoin due to the public ledger, otherwise known as the block chain.

Demerits of Crypto Currency:

1. Risk and Volatility:

Bitcoin has volatility mainly due to the fact that there is a limited amount of coins and the demand for them increases by each passing day.

However, it is expected that the volatility will decrease as more time goes on.

As more businesses, medias, and trading centers begin to accept Bitcoin, its' price will eventually settle down.

Currently, Bitcoin's price bounces everyday mainly due to current events that are related to digital currencies.

2. Still Developing:

Bitcoin is still at its infancy stage with incomplete features that are in development.

To make the digital currency more secure (as wallets were missing from the exchanges) and accessible, new features, tools, and services are currently being developed.

Bitcoin has some growth to do before it comes to its full and final potential.

This is because Bitcoin is just starting out, and it needs to work out its problems just like how any currency in its beginning stage would need to.

The Way Forward :

In India, the proposed ban is still being debated, thus it's unclear what the current legal situation is with cryptocurrencies.

While voicing reservations about the uncontrolled nature of cryptocurrencies, the Indian government has been eager to explore the possibilities of blockchain technology.

In order to shape the cryptocurrency environment in India, it would be essential to strike a balance between innovation and regulation.

Findings of the study:

1. Countries that have adopted bitcoin as legal

Tender: While several nations, including

Australia, Germany, Finland, Japan, Italy, Sweden, the US, the UK, and Ukraine have legalized the use of Bitcoin and other digital currencies. The central African Republic and El Salvador are the only countries that have adopted Bitcoin as legal tender so far.

El Salvador made Bitcoin a legal tender in September 2021, followed by the Central African Republic, which recently did so in April 2022

2. Is cryptocurrency safe?

Cryptocurrencies are usually built using blockchain technology. Blockchain describes the way transactions are recorded into "blocks" and time stamped. It's a fairly complex, technical process, but the result is a digital ledger of cryptocurrency transactions that's hard for hackers to tamper with.

In addition, transactions require a two-factor authentication process. For instance, you might be asked to enter a username and password to start a transaction. Then, you might have to enter an authentication code sent via text to your personal cell phone.

While securities are in place, that does not mean cryptocurrencies are un-hackable. Several high-dollar hacks have cost cryptocurrency start-ups heavily. Hackers hit Coincheck to the tune of \$534 million and BitGrail for \$195 million, making them two of the biggest cryptocurrency hacks of 2018.

Unlike government-backed money, the value of virtual currencies is driven entirely by supply and demand. This can create wild swings that produce significant gains for investors or big losses. And cryptocurrency investments are subject to far less regulatory protection than traditional financial products like stocks, bonds, and mutual funds.



Even as the crypto market came under significant pressure in the first half of 2023 due to the after effects of Terra and Luna collapse, mismanagement of funds in FTX and so on, virtual currencies witnessed a recovery towards the end of the year.

Exchanges believe with regulatory clarity 2024 will hold significant promise for the crypto market.

Bitcoin, the most popular crypto, rose from \$16,000 to its peak above \$44,500 this month (December, 2023).

“Factors such as enhanced regulatory clarity and growing acceptance among institutional and retail investors attributed to the surge,” said Edul Patel, CEO, Mudrex, adding 2023 witnessed a recovery phase for the crypto market.

In October, 2023, G20 nations adopted the road map proposed in the Synthesis Paper for crypto assets regulation.

Earlier, a Synthesis Paper was released by the

International Monetary Fund (IMF) and the Financial Stability Board (FSB) that discussed various challenges associated with crypto. It said blanket bans that make all crypto-asset activities illegal can be costly and

technically demanding to enforce. It also said that a decision to ban is not an “easy option”.

According to Founder and CEO, Cashaa, Bitcoin prices could end at a gain of around 120% for the year 2023. “Looking forward to 2024, with increased regulatory clarity and regulated avenues of crypto investing provided by Bitcoin and Ethereum ETFs can usher in a new era of institutional as well as retail investments. This could be further spurred on by the expected end to rate hike cycle and consequent rate cuts by the Federal Bank in the US and other central banks,” he said.

He added that crypto could become a preferred alternative investment avenue to earn inflation beating yields for investors and 2024 will also witness the next halving of Bitcoin rewards increasing scarcity and hence boosting the price of Bitcoin and consequently of other alt coins. About 6 lakh new users were signed up on WazirX this year (2023) and women accounted for 22% of all tokens traded on the platform.

Vice President, WazirX, said, “With the advent of decentralized systems and maturing blockchain

technologies, cryptocurrencies are set to evolve beyond speculative assets, becoming integrated within supply chain management, healthcare, and digital identity verification.”

Conclusion:

The youth has moved to a Digi-aware generation. The governments and financial institutions existence is dependent upon them being regulatory authorities must awaken to reality and through their expertise build an ecosystem. The reality of virtual currencies will benefit stakeholders without funding anti-social activities.

References:

Bank for International Settlements (2013) Triennial Central Bank Survey. Foreign Exchange

Turnover in April 2013: Preliminary Global Results. www.bis.org/publ/rpfx13fx.pdf

CryptoCorp (2014) Securing Wallets by Integrating a Third-party Oracle, retrieved July 2014. cryptocorp.co/technology.htm

CryptoCorp (2014) Securing Wallets by Integrating a Third-party Oracle, retrieved July 2014. cryptocorp.co/technology.htm

CryptoNote (2014) Untraceable Payments, retrieved July 2014. cryptonote.org/inside.php

Ethereum (2014) Ethereum White Paper, retrieved July 2014. github.com/ethereum/wiki/wiki

Cite This Article:

Sharma T. (2024). *An Overview on Cryptocurrency - The New Age Transaction.* In *Aarhat Multidisciplinary International Education Research Journal: Vol. XIII (Number I, pp. 156–162).*

AMIERJ. <https://doi.org/10.5281/zenodo.10658033>