

Cryptocurrency: An Emerging Way of Digi-financing

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ABSTRACT

As we all know that cryptocurrency is very popular these days. We can say that a new alternative to the running financial system. People are investing their money in cryptocurrency 'Crypto' means secret belongings and "currency" means medium of purchasing of goods and services. So we can say that this is a secret or private currency. As Every technology facilitates our life with few limitations. There are many queries in the mind of people related to the safety and security of transaction. Should they trust on this new way of digital or virtual financing? Knowledge is the solution of all doubts. It is a digitally executed money transaction system, which is run by software which can not be hacked or tracked because it is cryptograph based system. Cryptography gives privacy to the transaction. It is a peer to peer network because there is no a single person running or maintaining this network, there is involvement of many persons, it is a person to person network. To maintain this ledger there is a revolutionary technology which is known as Blockchain. Which denotes the chain of blocks in which each block contains every transaction record. There is no interference of banks. In India there are so many doubts about cryptocurrencies, People have a fear regarding ban of this currency by government. People of India have invested more money in cryptocurrencies than shares in last two years. There are two types of cryptocurrency

- A) **Private Cryptocurrency:** which is held by a private ledger, it has its own private block chain. Transaction could not be followed in this type of ledger. There are some example of private cryptocurrency as Moneros, Dash, Zcash, Verge etc
- B) **Public cryptocurrency:** which is run by public ledger, where transaction could be seen or followed .eg Bitcoin, Ethereum, Tether, Litecoin etc.

Government of India has given the statement to ban the private cryptocurrency.

These could be Reasons to ban private cryptocurrencies in India;

- A) It doesn't create any value. So It becomes difficult to create its future value.
- B) It is a speculative asset, Growth can not be measured by sale, product value, cash flow etc.
- C) There is no restriction by any authority.
- D) No one is responsible there to save the money of investors.
- E) Very difficult to track.

In future, it is announced in India, that it is going to launch it's own digital rupees in 2022-23 April, So it may be like a new revolution in finance world.

Keywords: Crypto Currency, Digital Financing, Cryptography, Peer to Peer, Blockchain

Introduction

Cryptocurrency: As the word 'Crypto' means secret belonging, in the same way it is private currency, which exists virtually ir digitally. It does not have any central regulatory authority. It is a digital payment or investment system which does not depend on banks for verification of transaction. It is a peer to peer system which is run by many people which enables anyone anywhere to receive or send payments. All the entries are in the online database. When anyone transfer the fund it is recorded in public ledger. It uses encryption to verify transactions, advanced coding is used to provide safety and security to the transaction. People who are maintaining this public ledger are known as miners and the process is known as mining, which is done by special software. Cryptography gives the privacy of transaction.

Research Methodology: Research methodology is descriptive and done on secondary data based.

Analysis: How does Cryptocurrency works?

It does not hold any own value, its value is completely depends upon availability of buyers and sellers. If many buyers want to buy the currency, demand of the currency will increase as well as the value of currency will increase. And with the increase in number of sellers the value decreases. Which is completely run by the law of demand and supply. cryptocurrencies are fixed and limited, and unlimited buyers who are responsible for increasing the demand and fluctuation in price of crypto currency.

These are run on the public ledger known as block chain, in which all transaction record updated and held by currency holder. Mining involves the use of computer power to resolve mathematical problems that generates coins. Users can spend and store them using cryptographic wallets.

If you are the currency owner you have nothing in

tangible form, you own a key which allows you to move a record of measure from one person to another.

Why Government of India wanted to ban private crypto currencies:

As we all know that China has banned crypto currency to take a complete financial control in the hand of government . But on other hand many developed countries are entertaining this technology of digital financing. In India people are investing their money on the large scale In crypto currencies. India is emerging as a big market of crypto currency. Not only the Government of India but other countries also worried about the future financial control on their countries. No bill came till the date to ban these currency but in future, There may be following reasons, government can ban private cryptocurrencies:

- A) As we know that there is no transaction of products or services or cash so it is difficult to measure it's future value. It is a speculative asset.
- B) It is not regulated or controlled by any any authority. So there is no one who is responsible for the wrong transaction or any fraudulent activity.
- C) It can not be tracked so there is no place to investigate the wrong transactions.
- D) Because there is no tracking of transaction, cryptocurrencies can be used for illegal or unethical purpose.
- E) Use of bulk of technologies and software can harm the nature also.
- F) Any complaint can not be resolved by the Government.
- G) Key can be missed, which can go financial harm.

Few Examples of Cryptocurrencies :

Bitcoin: First cryptocurrency introduced was Bitcoin in 2009, today's most popular crypto currency. It was developed by Satoshi Nakamoto, which is believed widely a pseudonym. It is a decentralized digital currency which can be sent from user on the peer-to-peer network without the need of intermediaries. It is transacted through the public blockchain network. Bitcoin offers the promise of lower transaction fees than traditional online payment. There is no physical bitcoins only balances kept on a public ledger that everyone has transparent access is verified by a massive amount of computing power.



Ethereum(ETH) : It is decentralized platform, open source blockchain. Ethereum was conceived in 2013 by a programmer Vitalik Buterin. This network went live on 30 July 2015. It is a technology that's home to digital money, global payments and applications, it is open to everyone wherever you are in the world with the help of internet. System is executed on EVM(Ethereum Virtual Machine). It provides platform to smart contract (done with codes). Ethereum has its own cryptocurrency called Ether.

It is a secured, community support, corporate friendly structure, process the transaction fast and uncensored. Three key areas of Ethereum.

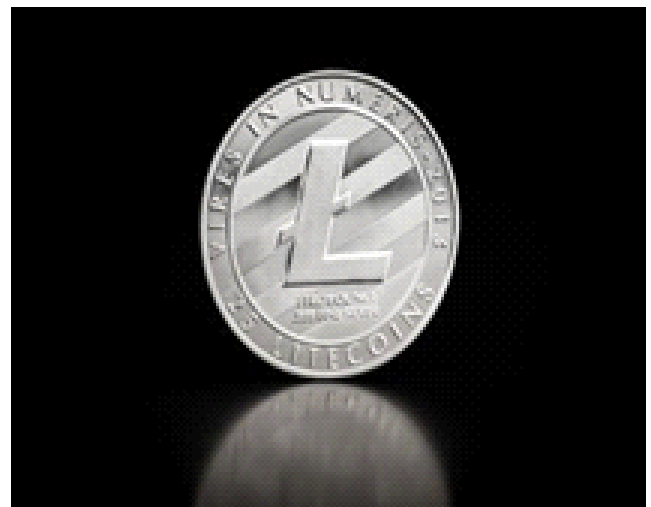


Currency Issuance

DAO(Decentralised Autonomus organization) Smart Contracts

Litecoin (LTC) : It is a cryptocurrency, which was founded in 2011, after two years of Bitcoin by Charlie Lee who was the Google Engineer. It is also based on open source global payment network like Bitcoin, It is also not controlled by any central authority. Unlike Bitcoin, it is faster block generation rate and use of script as a proof to work (PoW) scheme. It is considered the first Altcoin, derived from Bitcoin's original open source code. It includes faster payments and processes to allow more transactions.

There will never be more than 84 million Litecoins (LTCs) in circulation.



Ripple(XRP) : it was founded in 2012. Ripple is the native cryptocurrency for product developed by ripple labs, it's products are used for payment settlement, asset exchange and remittance systems that work more like SWIFT, a service for international money and security transfers used by network of banks and financial intermediaries. Ripple provides friction-less experience to send money globally using the power of blockchain technology. This cryptocurrency can be used to track different transactions not just cryptocurrency. It is build upon distributed open source protocol.



How to store cryptocurrency

Once you have purchased cryptocurrency, you need to store it safely to protect it from hacks or theft. Usually, cryptocurrency is stored in crypto wallets, which are physical devices or online software used to store the private keys to your cryptocurrencies securely. Some exchanges provide wallet services, making it easy for you to store directly through the platform. However, not all exchanges or brokers automatically provide wallet services for you.

There are different wallet providers to choose from. The terms "hot wallet" and "cold wallet" are used:

Hot wallet storage: "hot wallets" refer to crypto storage that uses online software to protect the private keys to your assets. It doesn't charge any fee.

Cold wallet storage : Unlike hot wallets, cold wallets (also known as hardware wallets) rely on offline electronic devices to securely store your private keys. It charges th

What is the future of Crypto in India?

In April 2018, the Reserve Bank of India had advised all entities regulated by it to not deal in digital currencies. In 2020 the supreme court set aside the central bank's 2018 circular and allowed banks and financial institutions from providing services related to cryptocurrencies. In May 2021 the RBI permitted Bank to facilitate cryptos. "There are no differences between the central bank and finance ministry", RBI governor Shaktikanta Das had said.

A negative news from the government will have impact just like it did in 2018 when most of the entrepreneur either stopped working in this space or left the country says Menon "After the RBI lifted the ban we have seen a lot more interest among on the winners and tech talent to enter the space more crypto projects have been born since then," he adds.

Sharan Nair chief business officer at crypto exchange platform Coinswitch Kuber, says investor should not panic "the government would ensure that investor interest is protected at all cost."

Siddharth Menon, CEO of cryptocurrency exchange Wazir x calibrated regulations that encourage the industry and safeguard consumers with help of ecosystem grow." we don't know the details but we expected to be positive once we have more details will comment else it will be purely speculative," Menon adds.

Crypto enthusiast are betting on analyst views that say there might not be a blanket ban on cryptocurrencies. Menon is among those who does not think a blanket ban is possible .The government has understood crypto assets are not a threat to the national currency. "Also this is a new and global fintech(financial technology) industry India cannot stay behind," he adds.

Is there any future of Cryptocurrencies in India? May be or not. Infosys non-Executive chairman Nandan Nilekani said that Cryptocurrencies could be acceptable in India as a store of value. Because Cryptocurrencies are not ideal for transactions in the country as India has better alternatives (UPI) for making transactions.

In the last week of March 2021, the government made it mandatory for companies to disclose investments made in cryptocurrencies. The move was welcomed by the crypto sector operating in the country. Experts said this move would open the door for all Indian companies to have Crypto on their balance sheets. "It will bring in a lot of transparency and will act as a comfort for Indian companies which are dealing in crypto-assets and were previously confused on how to put it in their books," said Sumit Gupta, CEO & Co-founder, CoinDCX.

Slowly but steadily sentiments in favour of cryptocurrency is building in the country. In what form cryptocurrency would be acceptable to Indian lawmakers and regulators remains to be seen. However, the good thing for crypto lovers in the country is that discussions on this topic are not dead. In the Parliament also, several members have been recently raising the issue of cryptocurrency/Bitcoin. In the month of March alone, at least five questions related to cryptocurrency were raised in Parliament. Here's a look at the questions asked and the Government's official responses.

Edul Patel, CEO & Co-founder of crypto trading platform Mudrex, says, "We could expect an accommodative and progressive stance by the government towards cryptocurrencies. The government is expected to evaluate all possible aspects. All these events transpire to positive expectations from the cryptocurrency bill."

Current News about Cryptocurrency in India?

The Budget's announcement that the digital rupee will be issued in 2022-23 means even more

opportunities for VDAs (Virtual Digital Assets). First of all we should know that a digital currency issued by a central bank is structurally no different than fiat. So will be the case with the India CBDC – the digital rupee.

The Reserve Bank of India will launch its digital currency in the year starting April 1, Finance Minister Nirmala Sitharaman said in her budget. Budget 2022 slapping a 30% tax on crypto income will hurt new investors. Finance Minister Nirmala Sitharaman announced a 30 percent tax rate and 1 percent TDS for gains made from virtual assets and transfers in the Budget.

Conclusion

As we studied all sides of cryptocurrency, There are few positive and negative sides. We are informed that government is thinking about the mid way or any alternative of launching the cryptocurrency. Government want a control to the some extent on the virtual currency, As China, Egypt, Oman have banned this digital form of currency because it did not want to loose the control over the country's income. And they think that money can be used to illegal sources and argued that it can destabilize their financial system But on the other side many developed countries as USA, Russia, Brazil are using this currency on the large scale. India is the biggest market of cryptocurrency.

Government of India may or may not launch currency, but if it will legalize it, there will be some control of government over there. As 30% tax rate is already imposed on it. There may be some change in it or new currency may be launched, Till then people can secure their money in safe way. In my opinion Government of India wants to play a safe game.

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