



FUTURE OF BITCOINS IN INDIA

Management

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ABSTRACT

Bitcoin, introduced in a 2008 white paper by an anonymous entity named Satoshi Nakamoto, represents a revolutionary form of digital currency, known as cryptocurrency. It operates on a decentralized network of computers where transactions are recorded on a public ledger called the blockchain. This system allows for peer-to-peer transactions without the need for a central authority, such as a bank or government. The security of transactions is maintained through cryptographic techniques, ensuring that once bitcoins are transferred, they cannot be reclaimed without the recipient's consent. Bitcoin's innovation lies in its ability to solve the double-spending problem via a consensus mechanism known as proof-of-work, which requires network participants to expend computational power to validate transactions and create new bitcoins, a process known as mining.

KEYWORDS

Concept of Bitcoin - Crypto Currency -Regulation of Bitcoin -Remittances of Bitcoin -Future of Bitcoin India

PRELUDE

The trajectory of Bitcoin in India has been a subject of intense speculation and interest, reflecting a global curiosity about the future of cryptocurrencies. As the world's largest democracy with a rapidly growing digital economy, India's stance on Bitcoin could significantly influence the cryptocurrency's adoption and regulation worldwide. Recent reports suggest that India is moving towards a more nuanced and sophisticated approach to cryptocurrency regulation. The Indian government's evolving perspective, marked by a shift from outright skepticism to cautious engagement, indicates a recognition of the potential benefits of blockchain technology and digital assets.

The Economic Times reported that the Indian cryptocurrency market is expected to reach \$222.70 million by 2023, highlighting the growing acceptance of digital currencies in the country. This is further supported by the Global Crypto Adoption Index 2023, which ranks India first among 154 nations in grassroots crypto adoption. Such data points to a burgeoning interest among the Indian populace in cryptocurrencies as a viable financial instrument.

The legal landscape, however, remains complex. The Reserve Bank of India (RBI)¹ has historically expressed concerns about the risks associated with cryptocurrencies, leading to a ban on bank dealings with crypto exchanges in 2018. This ban was later overturned by the Supreme Court in 2020, prompting the government to consider regulation rather than prohibition. The introduction of crypto taxes and the exploration of a Central Bank Digital Currency (CBDC) are recent steps that suggest a shift towards integrating cryptocurrencies within the formal economic framework.³

Despite these positive developments, the Indian government has reiterated that it does not recognize cryptocurrencies as legal tender. This stance underscores the government's caution and the need for a balanced approach that fosters innovation while mitigating risks⁴. The future of Bitcoin in India, therefore, seems to be leaning towards acceptance as an asset class rather than a currency, with regulatory clarity still on the horizon.

Problems

Regulation: The Indian government's stance on Bitcoin is the biggest hurdle. The Reserve Bank of India (RBI) has expressed concerns about volatility and illegal activities, leading to a period of uncertainty⁵. While a Supreme Court ruling overturned a banking ban, clear regulations are still awaited.

Volatility: Bitcoin's price swings can be dramatic, making it a risky investment for many Indians. This discourages wider adoption for everyday transactions.

Limited awareness: Public understanding of Bitcoin and cryptocurrency is still developing in India. This creates a barrier to entry for potential users and investors.

Security Risks: Cryptocurrency exchanges can be vulnerable to

hacking, and stolen Bitcoins are irretrievable. This raises concerns for potential users.⁶

Infrastructure: Reliable internet access isn't universal in India, which can hinder Bitcoin adoption in some areas.

Prospectus

Regulation on the Horizon: The Indian government is actively considering a framework for regulating cryptocurrencies. This could bring much-needed clarity and encourage wider adoption.

Tech-Savvy Population: India has a large and tech-savvy population. As awareness grows, Bitcoin's potential for faster and cheaper transactions could be attractive.

Unbanked Population: A significant portion of the Indian population remains unbanked. Bitcoin could offer a new way to access financial services.

Remittances: Bitcoin's low transaction fees could make sending and receiving international payments (remittances) more efficient for the Indian diaspora.

Innovation: Blockchain technology, underlying Bitcoin, has the potential to revolutionize various sectors in India, potentially boosting Bitcoin's overall image⁷

EPITOME

In conclusion, the future of Bitcoin in India appears promising but is contingent upon the development of a robust regulatory framework that can ensure security, prevent misuse, and promote transparency. As the Indian market adapts to the global shift towards digital currencies, the decisions made by policymakers will be critical in shaping the role of Bitcoin and other cryptocurrencies in the country's economic future. The coming years will likely witness the consolidation of Bitcoin's status in India, potentially setting a precedent for other nations grappling with the complexities of cryptocurrency regulation.

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