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## **Crypto Currency (Digital Currency): Trust, Transparency and Security in the Investment Market**

### **ORIGINAL ARTICLE**



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### **Abstract**

Cryptocurrency is digital currency which is a distributed ledger based on blockchain technology of a decentralized network of computers. Cryptocurrencies are not issued by a central authority, which in principle gives them immunity from Government interference or corruption or manipulation. It is the decentralized structure that allows it to remain outside the control of Governments and central authorities. It is cheap and fast money transfer system. Cryptocurrency is a digital payment system that does not rely on banks to set up transactions. When transferring crypto currency funds, transactions are recorded in a public ledger. Cryptocurrency is stored in a digital wallet. Bitcoin was the first cryptocurrency in 2009. The most risky crypto currency for investment may continue to be bullish, although most countries will keep it away from Government recognition, but the investment in it can increase continuously

because 99% of the world's people investing in the stock market are still far from it. The use of cryptocurrencies and blockchain technology in the transactions of bonds, stocks and other financial assets is very less in the financial context but it is expected to be used more in the future. At present, where the whole world is emphasizing on using paperless and plastic money, the same question also comes whether it will be safe to do financial transactions in the digital world, will it be reliable, will it also be transparent.

### **Keywords**

Cryptocurrency, Virtual Currency, Decentralized Payment Network, Detrended Cross-Correlation.

### **Introduction**

Recently the use of Internet media has grown so rapidly in the world of electronic business transactions that it is not only a process of transaction but has also become an alternative means of payment. In recent years digital currency has begun to emerge in the virtual world. This type of money applies universally, but in countries where currencies are controlled by central banks. They do not follow them. The digital money sales

market is dependent on the demands of its users. For this reason, its exchange rate is very volatile. Bitcoin is one such currency that provides a payment solution for high cost transactions.

Bitcoin is a digital currency used for electronic transactions. It is an electronic payment system, which are based on mathematical system. It is not tied to any particular central authority, as it produces an independent currency. Digital currency has very low transaction costs. Digital currency uses a database, which is spread across a peer-to-peer network, to perform a single transaction. It is also called cryptocurrency, because currency uses cryptographic for its security system. Bitcoin offers many benefits to its users and potentially increasing value but also offers investment benefits to its users as its number is limited. The use of bitcoin is very practical, it does not charge high transaction costs from users. Users can transact free of cost whenever they want. The biggest advantage of using bitcoin is that there are no buying limits and no standard rules. Bitcoin is trying to revolutionize the next financial landscape exclusively by turning to digital decentralization. Bitcoin has almost spread all over the world. Some countries have completely rejected this tool of online transactions, as these countries feel that it is unsafe and can have a negative impact on the stability of electronic in domestic transactions.

## Purpose

1. Cryptocurrency is the digital money used to buy goods and services. It works as an investment vehicle.
2. To know the advantages of cryptocurrency.
3. To make the companies aware of the benefits of investing in cryptocurrencies in their business.
4. To find out about the types of cryptocurrencies in circulation in the world.
5. To learn about the most popular cryptocurrencies.
6. To find out about the working process in trading of Cryptocurrency.

## Review of Literature

1. PPCoin: Peer-to-Peer Crypto-Currency with Proof-of-Stake Sunny King, Scott Nadal (sunnyking9999@gmail.com, scott.nadal@gmail.com) August 19th, 2012.  
The researcher sheds light on the peer-to-peer design of bitcoin cryptocurrencies and its network security in their research. The design achieves lower inflation/lower transaction fees at comparable network security levels, due to the elimination of dependence on energy consumption.
2. Crypto-currency bubbles: an application of the Phillips–Shi–Yu (2013) methodology on Mt. Gox bitcoin prices.  
Adrian (Wai-Kong) Cheung Eduardo Roca & Jen-Je Su Pages 2348-2358 | Published online: 04 Feb 2015.  
Bitcoin came as a digital or crypto currency. Despite much controversy and volatility, the rise in its price is showing its rapid growth. This also includes agencies of law enforcement.
3. It will cost you nothing to "kill" a Proof-of-Stake crypto-currency [v.0.1] Nicolas Houy" February 6, 2014.  
In this article, about the verification system and security system of cryptocurrency transactions are shown. Vulnerability to attacks on transactions in cryptocurrencies was also observed.
4. Crypto-jacking: how cyber-criminals are exploiting the crypto-currency boom Karl Sigler Published Online: 5 Nov 2021 [https://doi.org/10.1016/S1361-3723\(18\)30086](https://doi.org/10.1016/S1361-3723(18)30086).  
The year 2009 Bitcoin came into play as the first focused cryptocurrency. The industry exploded and there are now over 1500 different currencies available. In less than a decade, crypto currency has gone from a cryptic use, both technology and finance. It has developed into one of the hottest topics in the same fields.

## Hypothesis

1. Cryptocurrencies are legal.
2. Cryptocurrencies are a security like other security.
3. Transactions in cryptocurrencies can be brought within the scope of tax assessment.
4. The impact caused by cryptocurrency on money inflation.
5. Cryptocurrency required in current economy

## Methodology

Present study focuses on one phenomenon which is “crypto-currency”. Newspapers, various websites and office reports issued by either various private organizations or Governments. Present study relay on content analysis. It is exploratory in nature.

## Limitation of the study

Entire study is based on the existed and published data or referred as secondary data therefore the study is limited to the available data and information. This is descriptive research. There are no new findings in this.

## Cryptocurrency/Digital Money

A digital currency in which transactions are verified and records are maintained by a decentralized system using cryptography rather than a centralized authority. The global economy, where everything from investments to money transfers is going paperless, is essentially moving towards a digital ecosystem. Cryptocurrencies are the newest and most promising names in the field of digital payments. Cryptocurrencies are exchanges like normal currencies. are a medium. A cryptocurrency is defined by investopedia.com as a decentralized “digital or virtual currency”. It is designed for the purpose of exchanging digital information. Which uses cryptography for security. Which makes it difficult to counterfeit. However, it is not issued by the central authority, so the Governments of any country cannot take it away from you. For the last few years, digital currency is coming in the public eye. Perhaps the reasons behind this can be:—



## Fraud proof

Transactions made with cryptocurrencies are stored in a public ledger. The identities of the owners are encrypted to ensure the validity of the record. Since the currency is decentralized, you own it. Neither the Government nor any bank has any control over this. Chances of fraud are less.

## Identity Theft

The ledger ensures that all transactions made between “digital wallets” can calculate accurate balances. All transactions are checked that the coins used are owned by the current spender. The public ledger is also known as the “transactional blockchain”. Blockchain technology ensures the security of digital transactions through encryption and smart contracts that make them untraceable and fraud-free.

## Instant Settlement

This is why cryptocurrencies are in high demand today because of their ease of use. You can become after yourself if you have a smart device, internet connection so you can make payments and transfer money instantly.

## Accessible

More than 2 billion people have access to the Internet, but they do not have the right to use the traditional exchange system. These individuals are clued-in to crypto.

**You are the owner:-** There is no other electronic cash system in which your account is owned by you.

## The Power of Digital Money

In the near future, an employer may store their paychecks in a digital wallet, allowing them to more cheaply and efficiently send money to relatives in Guatemala, the Philippines, or any other country. Fees for wire money often take up to 7 percent of the value of the transaction, and the World Bank estimates that a 2 percent reduction in fees could boost remittances to low-income countries by \$16 billion annually. Today, there are one billion registered mobile money accounts in 95 countries, with about \$2 billion transacted every day through these accounts. The widespread use of mobile phones has made this possible. The public sector is also taking steps to provide digital payments infrastructure in emerging markets. The Bahamas is the first country in the world to have a central bank digital currency (a digital form of the country's currency) called the "Sand Dollar", it will enhance financial inclusion for residents spread across the country's 700 islands, where banking services such as cash machines are not always available. The most ambitious project is being run by China's central bank. If the e-renminbi experiment is successful, it could drive digitization, innovation and financial inclusion to one of the world's largest and most vibrant economies, potentially encouraging other countries to follow suit.

## Why is Digital Money Needed in the Economy?

Digital currency can streamline the current financial infrastructure, making it cheaper and faster to conduct monetary transactions. It can also facilitate the implementation of monetary policy by central banks. The rapid pace of change is a call to action – for countries to guide the changes of today, not be guided by them. It is also important for the IMF to engage with countries early, and initiate reforms that will contribute to the stability of the international monetary system, and promote solutions that work for all countries. There is a window of opportunity to maintain control over monetary and financial conditions and enhance market integration, financial inclusion, economic efficiency, productivity and financial integrity. But on each of these fronts there are also risks of retreat. We must make the right policies today to reap the benefits tomorrow.

## Digital Money is Evolving Rapidly

Digital forms of money are diverse and evolving rapidly. These include publicly issued central bank digital currencies (CBDCs) – think of these as digital cash, though not necessarily offering the same anonymity to avoid illegal transfers. Private initiatives are also on the rise. The stability of these means of payment, when measured in national currencies, varies greatly.

The opportunities are immense. A local craftsman can, in a jiffy, potentially get paid more cheaply from foreign customers. A larger financial group can deal with asset purchases more efficiently. Friends can distribute bills without taking cash. People without bank accounts can safely save and create transaction history to avail micro loans. Governments can tax and redistribute revenue more efficiently and transparently.

## Opportunities and Challenges

We may well reap these benefits, but we must be aware of the risks, and importantly of the larger policy implications and tradeoffs. The challenges for policy makers are harsh, complex and pervasive.

The most far-reaching implications are for the stability of the international monetary system. Digital currency must be designed, regulated and provided so that Governments maintain control over monetary policy to stabilize prices and control capital flows to stabilize exchange rates. These policies require expert judgment and discretion and must be taken in the interest of the public.

Governments should leverage digital money to facilitate transfer of welfare benefits or payment of taxes. There is also scope to promote financial inclusion by reducing the cost to access payment and savings services. Consumers' money must be protected, protected and sustained by a sound legal framework and illicit transactions must be avoided. Challenges are important. But policy action must begin immediately. It is time to establish a common vision for the future of the international monetary system, strengthen international cooperation and implement policies and legal and regulatory frameworks that promote innovation for the benefit of all countries while minimizing risks will give regulation and careful supervision are key to reinforcing trust in new digital forms of money. Payment providers may absolutely be required to issue coins with secure and liquid assets, but which assets? Should these be kept in commercial banks or maybe even in central banks? What backstop might the state be ready to introduce? And what if digital money is being offered by a foreign firm - how should regulators cooperate across borders? These questions are new and require careful consideration.

## Cryptocurrency in India

**Cryptocurrency:** Due to factors such as inherent security, low transaction fees, lack of interference from the banking system, easy access and use, and universal recognition, it is gaining ground in India.



Despite there being no full legal support for cryptocurrencies including bitcoin in India, they are gaining popularity in the country. Through a circular in 2018, the RBI had advised all entities regulated by it not to provide services to any person or entity in dealing with or facilitating the settlement of virtual currencies. However, the Supreme Court quashed the RBI circular on March 4, 2020. Since then, cryptocurrencies have been one of the most talked about investment options. But there are fears that the Government may legally ban virtual currencies currently being traded. Officially, the Government does not consider cryptocurrencies to be legal tender.

## What is the future of cryptocurrency in India?

There are a total of four crypto agencies working in India. It is estimated that Indians have invested more than Rs 6 lakh crore in crypto currency so far. We anticipate that most of these investors will be aware that if there is a fraud, they will not be able to do anything legally if an unregulated exchange or crypto trader is scammed and their money goes missing. The investors' deposits are definitely going to sink. In this situation, the victim has two options, first file a criminal complaint with the police. Second, file a civil suit in the court and demand damages from the crypto traders. But it is worth considering that what can the police do on the matter in which the Parliament of the country has not yet made any law. To open stock trading platforms like banks, mutual funds, companies must get many types of licenses, investigations and there is a waiting period to go through but there is no such Government safety net in the crypto market. If there is manipulation in the crypto market, then the investor is sure to suffer because he has no legal provision to know what is happening with his investment. Currently banning crypto will not be a proper decision as investors are losing billions of rupees. Now the Government must work very deeply. RBI should make its own digital currency. In addition, some

stable cryptocurrencies may only be allowed for international remittances. The Government will have to find a way to allow approved cryptos to be used on the platforms. In all other cases crypto should be banned.

### How Dangerous is Crypto Among the Major Investment Options?

|  | Bank  | Stock Market  | Mutual Fund   | Crypto Exchange   |
|--|---|---|---|---|
| Clearances/Licenses                    | License has to be obtained from Reserve Bank. Bank is tested on many parameters                               | Documents and fees have to be paid to the exchange for share broking.   | SEBI approval is required. Strict rules have to be followed.                                    | Approval - License not required. You can start by creating a platform.  |
| Regulator                              | RBI- Takes necessary steps for the interests of the account holder when needed.                               | SEBI monitors takes immediate action in case of any discrepancy.  | SEBI also regulates mutual funds.   | It is not a regulator. Crypto exchange claims self-regulation.  |
| Transparency/KYC                       | Complete report has to be given to RBI. KYC of customers is mandatory.  | All data is in the public domain. KYC of customers is mandatory.  | Report has to be given every month. KYC of customers is mandatory.                              | Opening of KYC accounts without there is nothing in the name of transparency.   |
| Investment security                    | Deposit is insured up to 500000. Contribution has a role in saving the bank from drowning.                    | There is an investor protection fund. SEBI has the power to pay.  | SEBI can order refund of investors' money.  | Will have to report to the police or will have to file a case in the court.   |
| Big matters that can make a difference | RBI rescues Yes Bank, Laxmi Vilas from drowning. PMC Bank account holders have got insurance up to Rs 500000. | Karvy Broker had taken loan by pledging the shares of the customers, SEBI got the shares to the customers. Karvy is closed. | SEBI returned Rs 450 crore of Franklin Templeton's fund to investors on irregularities. Banned. | Crores have been lost in many currencies including Shiba Inu. In the absence of a regulator, investors could not complain anywhere. |

### Is it Safe to Invest in Cryptocurrencies From India?

Bitcoin is a new alternative asset class. It has been around for more than a decade and is facing two global recessions. "Like gold, cryptocurrencies are viewed as a hedge to protect fiat portfolios, and its value as a hedge lies in its inflation-beating properties. Traditionally, investors have used a hedge against the volatility of stocks. It is absolutely legal to buy bitcoin in India, there is no law preventing Indians from buying/selling cryptocurrencies in India. There is no legal guarantee of the security of the amount invested." Section 26 of the RBI Act states that, 'Every bank note shall be legal tender for an amount expressed in or in payment at any place in India, and the Central Government It will be guaranteed by. Virtual currency is not guaranteed by the central Government, so it has to be explicitly guaranteed by the central Government for any virtual currency to be declared a legal tender.

## **What is the current legal status of cryptocurrencies in India?**

There is no crypto regulation in India. However, it is absolutely legal to buy bitcoins in India. There is no law preventing Indians from buying/selling cryptocurrencies in India. There was a banking ban between July 2018 and March 2020 due to which cryptocurrency exchanges were unable to maintain bank accounts. However, the Supreme Court of India struck down the banking ban in 2020. As far as the WazirX platform is concerned, it is a part of the Internet and Mobile Association of India (IAMAI). "Currently, we are working on a code of conduct for cryptocurrency companies in India"

## **GST on Cryptocurrency?**

The Central Bureau of Economic Intelligence, a branch of the Ministry of Finance, conducted a study on levying GST on cryptocurrencies and submitted a proposal to the Central Board of Indirect Taxes and Customs, suggesting that cryptocurrencies may be treated as a current asset and GST is levied on the margin made in its business.

Regulators and Governments in India are skeptical about virtual currencies and are apprehensive about the risks involved.

"Since the Cryptocurrency and Regulation of Official Digital Currency Bill, 2021 is already in the pipeline to create a "facilitative framework" for the creation of an official digital currency, which will be issued by the RBI, the road ahead for private cryptocurrencies is difficult. The aforesaid bill will ban all private cryptocurrencies in India but will allow certain exceptions for the underlying technology of the cryptocurrency and the promotion of its use.

Crypto in India is currently booming, the market is booming, and retail investors are joining the fire with their enthusiasm. There are estimated to be over 10 million crypto investors in India, and that number is snowballing every day.

Cryptocurrencies are not illegal; Anyone can buy, sell and trade cryptocurrencies. it is irregular; We do not currently have any regulatory framework to govern its functioning. However, the Indian Government is exploring crypto regulation. Meanwhile, crypto exchanges such as Coin switch Kuber have been instrumental in supporting the Government and helping investors join the bandwagon by being self-regulating and forcing thorough KYC checks for all of their investors. Government's stand on cryptocurrencies.

## **Conclusion**

Many countries of the world provides data about crypto currency on domestic regulations. These countries include Japan, the United States, Australia, China, India and Indonesia. Government policies regarding domestic law vary from country to country. Policies related to trade can be divided into two parts: first, crypto as a means of payment and second, crypto as a commodity. Crypto is by far one of the most popular investment vehicles in most countries of the world. Although the World Trade Organization, the world's largest trade organization has not given any reply regarding the cryptocurrency.

Digital money has the potential to transform the financial sector. Emerging markets and low-income countries will most likely benefit from this dramatic change. Broader and cheaper access to digital currency and phone-based transactions could open the door to financial services for 1.7 billion people without traditional bank accounts, and countries could become increasingly connected, facilitating trade and market integration. Huh New digital forms of money must stand up to cyber-attacks, outages, technical glitches, risk of fraud and faulty algorithms. And without proper regulation, digital money could be a virtual safe haven for criminals' illegal financial transactions. There is a need for effective implementation of a robust framework to combat money laundering and the financing of terrorism. The rapid progress for 2020, which crypto regulated countries such as the US, Singapore, etc. experienced, prompted the Indian authorities to reconsider their decision. This resulted in the Supreme Court of India withdrawing the RBI circular issued in 2018, allowing banks such

as HDFC Bank, Yes Bank, ICICI Bank and State Bank of India to resume their transactions with cryptocurrency exchanges.

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